

PARLIAMENT OF GHANA LIBRARY

IN THE FOURTH SESSION OF THE SEVENTH PARLIAMENT OF THE
FOURTH REPUBLIC OF GHANA

REPORT OF THE FINANCE COMMITTEE

ON THE

RAPID CREDIT FACILITY AGREEMENT
BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF GHANA (REPRESENTED BY THE
MINISTRY OF FINANCE) AND THE
INTERNATIONAL MONETARY FUND (IMF) FOR
AN AMOUNT OF SEVEN HUNDRED AND
THIRTY-EIGHT MILLION SPECIAL DRAWING
RIGHTS (SDR738 MILLION) [EQUIVALENT TO
ABOUT US\$1.00 BILLION] TO MITIGATE THE
IMPACT OF THE COVID-19 PANDEMIC

APRIL 2020

1.0 INTRODUCTION

The Rapid Credit Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and the International Monetary Fund (IMF) for an amount of Seven Hundred and Thirty-Eight Million Special Drawing Rights (SDR738 Million) [equivalent to about US\$1.00 Billion] to Mitigate the Impact of the COVID-19 Pandemic was *presented* to the House on Friday 17th April, 2020 by the Hon. Deputy Minister for Finance, Mrs. Abena Osei-Asare on behalf of the Minister for Finance.

Pursuant to Article 103 of the 1992 Constitution and Orders 169 and 171 of the Standing Orders of the House, the Agreement was *referred* to the Committee on Finance for consideration and report.

The Committee subsequently met and discussed the Agreement with Deputy Ministers for Finance, Hon. Mrs. Abena Osei-Asare and Hon. Charles Adu Boahen as well as officials from the Ministry of Finance and the Bank of Ghana.

The Committee hereby submits this report to the House pursuant to Order 161 of the Standing Orders of the House.

The Committee is grateful to the above-mentioned Honourable Deputy Ministers and officials for attending upon the Committee.

2.0 REFERENCES

The Committee referred to and was guided by the following documents *inter alia* during its deliberations on the Agreement:

- The 1992 Constitution of the Republic of Ghana

- ~~▫ The Standing Orders of the Parliament of Ghana~~

- The Public Financial Management Act, 2016 (Act 921)

3.0 BACKGROUND

The Corona Virus Disease 2019 (COVID-19) pandemic caused by a novel coronavirus (SARS-CoV-2) is prevalent in over 110 countries and territories, including Ghana. As of 15th April, 2020, the outbreak had recorded 1,918,138 cases and 123,125 deaths globally according to the WHO Dashboard.

The impact of COVID-19 has been profound as it has caused significant disruptions to social and economic activities across the world. With more than 65% of the global economy under some form of a lockdown, most economies are predicted to experience some degree of depression for a foreseeable future. In fact, the United Nations Economic Commission for Africa (UNECA) estimates that this pandemic will cause the projected 2020 GDP growth for Africa to drop from 3.2% to 1.8%.

As at 17th April 2020, Ghana had recorded 641 confirmed COVID-19 positive cases, 8 deaths and about 83 recoveries.

The economy of Ghana is expected to have a significant negative impact from COVID-19. Preliminary assessment indicates that using an average crude oil price of US\$30 per barrel for 2020, expected petroleum revenue will record a shortfall of GH¢5,660.35 Million (US\$993 Million). Further, the slowing down of domestic economic activity is expected to hit tax revenue to the tune of GH¢2,254.3 Million. There are also expected negative impacts on the transport, hotel and tourism sectors.

As part of measures to mitigate the impact of the Coronavirus pandemic, help close the financing gap and address Balance of Payment (BOP) pressures resulting from the pandemic, the Government of Ghana (GoG) requested for financial support under the IMF Rapid Credit Facility (RCF) on 16th March, 2020.

The GoG's request followed the IMF's announcement on 4th March 2020, of a US\$50 Billion support to help address the Coronavirus impact with an allocation of US\$10 Billion for low income countries through the Rapid Credit Facility (RCF) window.

The Ministry of Finance supported by the Bank of Ghana worked tirelessly with the IMF to prepare the necessary documentations and provide relevant analysis for the IMF Executive Board Meeting on 13th April, 2020.

In spite of Ghana's original request for an RCF of 50% of Ghana's quota (between US\$500-600 million), the Minister for Finance

successfully engaged the Fund to increase the request to 100% of Ghana's quota of SDR 738 million (about US\$1 billion).

The IMF Executive Board, having successfully considered Ghana's application, approved the request for disbursement of 100% of Ghana's quota amounting to SDR 738 million (about ~~US\$1 billion) to GoG on 13th April, 2020, making Ghana the first~~ country to receive 100% quota under the RCF in the COVID-19 period.

4.0 PURPOSE OF THE FACILITY

The purpose of the Rapid Credit Facility (RCF) is to provide low-access, rapid, and concessional financial assistance to Low Income Countries (LICs) facing an urgent balance of payments need, without *ex post* conditionality.

In the case of Ghana, given the enormous fiscal challenge posed by the COVID-19 pandemic, the RCF has been negotiated to be used for Budget Support.

5.0 TERMS AND CONDITIONS OF THE LOAN

The financing terms of the Facility are as follows:

Loan Amount	-	SDR 738 Million
		(equivalent to US\$1.00 Billion)
Grace Period	-	5.5 years

Repayment Period	-	4.5 years
Maturity Period	-	10 years
Interest charge	-	Nil

6.0 OBSERVATIONS

6.1 Facility for Budget Support

The Committee noted that given the enormous fiscal challenge posed by the COVID-19 pandemic on the economy of Ghana, the RCF has been negotiated to be used for Budget Support.

The proceeds from the RCF will be used to help close the financing gap that has been created by the pandemic as a result of shortfalls in revenues and additional expenditures to fight the COVID-19 pandemic.

Out of the total Facility, approximately GH¢1.00 Billion will be used to finance the *electricity subsidy* announced by H.E. the President whilst the remainder is employed towards expenditure outlined in the 2020 Budget.

6.2 RCF Support for Economic Policies

The Committee observed that economic policies supported under the RCF aim at addressing the underlying balance of payments difficulties and support the country's poverty reduction and growth objectives.

The RCF can thus provide support in a wide variety of circumstances, including shocks, natural disasters, and emergencies resulting from fragility. The RCF also provides policy support and may help catalyse foreign aid.

6.3 Facility Not a Program

As to whether Ghana was entering into another economic programme with the IMF through this loan, the Committee was informed that this Facility is not a programme with IMF and is without any program-based conditionality or requirement for reviews.

6.4 Ghana's Total Quota

The amount to be disbursed to Ghana is 100% of Ghana's quota which is SDR 738 million (approx. US\$1 billion depending on the exchange rate between the SDR and the US\$ on the day of disbursement).

As to when the Facility is expected to be disbursed, the Committee was informed that the disbursement of the RCF proceeds to Ghana is expected to take place in a single tranche on Friday, 17th April, 2020.

6.5 Duration and repeated use

The Committee observed that financial assistance under the RCF is provided by the IMF as an outright loan disbursement. While these disbursements are often one-off in the case of an urgent balance of payments need of

limited duration (in particular under the shocks window), there is scope for repeat use. A repeat use of the RCF within any three-year period is possible if the balance of payments need is caused primarily by an exogenous shock or the country has established a track record of adequate macroeconomic policies.

However, no more than two disbursements may be made in any twelve-month period. Repeat use of the RCF may facilitate eventual transition to an Extended Credit Facility (ECF) arrangement.

6.6 Mid-Year Review

The Committee was informed that the COVID-19 pandemic has and continues to pose health, social and economic challenges to the country, especially in the area of budget implementation. The Ministry is thus monitoring the situation and will in due course present a mid-year review of the 2020 Budget as stipulated in the Public Financial Management Act, 2016 (Act 921) in order to properly align the budget with the expenditures that are being incurred in response to the pandemic.

6.7 Debt Forgiveness

The Committee sought to know if Ghana had benefitted from any debt forgiveness in response to the current global economic challenges posed by the COVID-19 pandemic.

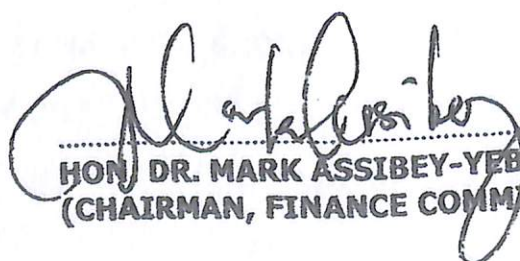
To this, the Deputy Minister for Finance, Hon. Charles Adu Boahen informed the Committee that discussions are currently ongoing in international financial circles around debt forgiveness for low income countries. He assured that Ghana together with other concerned countries will pursue those discussions to their logical conclusion.

7.0 CONCLUSION

In view of the foregoing, the Committee respectfully recommends to the House to adopt this report and approve by Resolution, the **Rapid Credit Facility Agreement** between the **Government of the Republic of Ghana** (represented by the Ministry of Finance) and the **International Monetary Fund (IMF)** for an amount of **Seven Hundred and Thirty-Eight Million Special Drawing Rights (SDR738 Million)** [equivalent to about **US\$1.00 Billion**] to Mitigate the Impact of the **COVID-19 Pandemic** in accordance with Article 181 of the 1992 Constitution of the Republic of Ghana.

Respectfully submitted.

PARLIAMENT OF GHANA LIBRARY


.....
HON. DR. MARK ASSIBEY-YEBOAH
(CHAIRMAN, FINANCE COMMITTEE)


.....
MS. EVELYN BREFO-BOATENG
(CLERK, FINANCE COMMITTEE)

17TH APRIL, 2020