SOVEREIGN
AFRICA RATINGS

REPUBLIC OF GHANA

SOVEREIGN CREDIT RATING

24 November 2023

RATING ACTION

Sovereign Africa Ratings (SAR) has completed its assessment of Ghana's creditworthiness and assigned the following credit ratings and outlook:

Date	Rating Category	Rating	Outlook
	Foreign Currency Ratings:		
24 November 2023	**Long-term**	**D**	**N/A**
24 November 2023	**Short-term**	**D**	**N/A**
	Local Currency Ratings:		
24 November 2023	**Long-term**	**CCC**	**Stable**
24 November 2023	**Short-term**	**C**	**Stable**

These ratings and outlooks are indicative of SAR's evaluation of Ghana's economic outlook.

The foreign currency credit ratings assigned **(D** (default rating)) for Ghana are based on the government's December 2022 decision not to service its Eurobonds, commercial loans, and most bilateral loans, and the suspension of payments on most of its external debt, thus reflecting a significant challenge the country is facing in managing its finances. SAR has taken the position not to issue an outlook for both the short-term and long-term foreign currency credit ratings.

SAR has assigned **CCC** and C long-term and short-term local currency credit ratings on Ghana with a **Stable outlook**.

Rationale

Ghana still faces significant fiscal challenges. The economy is experiencing instability, as the real GDP growth is expected to remain subdued (3.22% in 2022 from 5.4% in 2021), along with high inflation (31% in 2022 from 9.97% in 2021). Ghana is still experiencing elevated debt levels and limited access to international capital markets. Ghana's economy continues to display a significant reliance on primary commodity exports, including gold, cocoa, and oil. This fundamental dependence leaves the country susceptible to global economic downturns and fluctuations in commodity prices. In April 2023, Ghana experienced payment delays on certain local-currency-denominated bonds that had not been tendered or were held by entities ineligible to participate in the domestic debt exchange programme completed on February 24, 2023. Hence Ghana remains at risk of further defaults and continues to struggle to meet its obligations.

Ghana's economic programme, backed by the International Monetary Fund (IMF), contains several important policy aims and objectives:

- Ghana has commenced debt restructuring in an effort to manage its debt.

  This is essential for the nation's long-term budgetary stability and health. The debt is planned to be restructured to match the nation's ability to meet payment obligations and maintain reasonable debt levels. The restructuring involves debt exchange transactions for different debt instruments. This is meant to control the nation's debt levels and ensure that they are sustainable in the long term. Along with restructuring its internal debt, Ghana is working to reduce its foreign debt by negotiating with both official bilateral creditors and private creditors. To properly manage external debt, these initiatives must be in line with the programme's guidelines.

- To improve budgetary resilience and facilitate the adjustment process, ambitious structural changes are being implemented.

These changes cover a wide range of areas, such as tax administration and revenue management, public financial management, and amending flaws in industries such as energy and cocoa. The stability and expansion of the nation's economy over the long run depends on the successful implementation of these measures.

- Ghana is aggressively tackling the problems of poor governance and corruption.

To address flaws in public officials' asset statements, efforts have been made, including the Governance Corruption Diagnostic Assessment and the adoption of the Conduct of Public Officers Act. The Ghana Revenue Authority and the IMF are collaborating to elevate the standard for tax administration professionals.

The finance minister of Ghana, Ofori-Atta, has reported positive fiscal developments for the country. In the period from January to August 2023, Ghana recorded an overall budget deficit of 3.0% of its gross domestic product (GDP). This performance surpasses the targeted deficit of 4.6% to GDP, indicating effective fiscal management and control over government spending.

Simultaneously, Ghana is actively engaged in discussions to restructure its external debt. The government, under the leadership of Ofori-Atta, expresses confidence in making substantial progress in these debt restructuring talks, with the aim of achieving a resolution by the end of 2023.

Ghana’s GDP growth has experienced an improvement in the first half of the year. Real GDP growth averaged 3.2%, surpassing the 2.9% growth recorded in the same period in 2022. This positive trajectory in economic growth is indicative of a resilient and recovering economy. The growth figures suggest that Ghana's economic activities are gaining momentum, potentially contributing to increased stability.

Overall, the combination of a better-than-targeted budget deficit, ongoing efforts to restructure external debt, and improved economic growth signifies positive economic prospects for Ghana in the medium to long term. These developments underscore the government's commitment to prudent fiscal management and economic recovery, instilling confidence in both domestic and international stakeholders. The successful resolution of debt restructuring talks by the end of the year could further contribute to Ghana's financial resilience and long-term economic well-being.

SAR's assessment of Ghana underscores the complexities and obstacles faced by the country. It also acknowledges Ghana's inherent strengths and opportunities, including its recent domestic debt rescheduling which improved the government's refinancing profile and reduced its debt servicing costs. This assessment has led to the assignment of a stable outlook for both long-term and short-term local currency credit ratings for Ghana.

Debt Profile

Ghana's public debt had undergone a substantial increase, reaching US$54.4 billion or 78.3% of GDP as of June 2022, a notable increase from the US$32.3 billion recorded in 2017.

Ghana's government owed $63.3 billion at the end of 2022, including debt to foreign creditors and local lenders. As of November 2022, Ghana's external debt stood at US$29.2 billion. The external debt comprised various elements including debt owed to multilaterals, bilateral commercial loans, and other export credits. Notably, about 72% of the external debt is denominated in US dollars, exposing the country to potential currency risk. The portfolio includes fixed-rate (86.5%), variable-rate (13.1%), and some interest-free (0.4%) debt. On the domestic front, Ghana's domestic debt totalled US$26.3 billion (37.8% of GDP). In 2021, a significant portion, approximately 85%, was sourced through the local market. This involves the active participation of Ghanaian banks, individuals, and institutional investors.

The servicing of Ghana's external debt entails a considerable financial commitment, with the government expending US$2.2 billion in 2021 for total external debt servicing, covering principal repayments, interest payments, and charges. This underscores the fiscal challenges associated with managing the external debt burden.

The anticipated decline in Ghana's public debt-to-GDP ratio by the end of 2023 is a significant and encouraging development for the country's economic landscape. This prospect is primarily driven by the 50% haircut on the non-marketable debt held by the Bank of Ghana. The decision to implement a haircut on the Bank of Ghana's holdings of non-marketable debt implies a deliberate effort to alleviate the debt burden on the government's finances. The 50% reduction in the value of these holdings signifies a substantial write-down of the debt, effectively lightening the overall debt load. This reduction plays a pivotal role in the positive trajectory of the country's fiscal health. By lessening the debt-to-GDP ratio, Ghana aims to enhance its economic stability and create a more sustainable fiscal environment. The decrease in the debt-to-GDP ratio from 2022 to 2023 reflects a tangible improvement in the country's ability to manage its debt obligations relative to the size of its economy.

Furthermore, the timing of this debt reduction aligns with broader economic goals, potentially freeing up resources for other critical sectors, such as infrastructure, social programmes, or investments that can spur economic growth. The optimism surrounding this debt reduction reflects a proactive approach by the government and monetary authorities to address fiscal challenges and foster a more resilient and stable economic future for Ghana.

Key Rating Indicators 2019 – 2024 (f[1])

Indicator	2019	2020	2021	2022	2023 (f)	2024 (f)
GDP growth rate (%)	6,51	0,51	5,36	3,22	1,5	2,8
GDP per capita (USD) nominal prices	2,266	2,275	2,521	2,270	2,019	1,769
Current account balance as a percentage of GDP (%)	-0,91	-3,8	-3,71	-2,25	-3	-2,5
General government revenue (% of GDP)	14,07	14,07	15,27	15,63	15,43	16,3
Contingent liabilities (% of GDP)	3,8	3,8	3,8	3,9	4	4,11
Inflation rate (%)	7,1	9,9	10,0	31,3	42,19	23,16
Foreign currency reserves (% of total external debt)	27,9	24,7	27,4	28,7	30,06	31,49

[1] Forecast

RATINGS DISCUSSION

Ghana's economic growth has slowed down, with GDP growth projections of just 1.5% in 2023, partly due to the coronavirus pandemic, Russia's invasion of Ukraine, higher food and fuel prices, macroeconomic instability and tighter global financial conditions with international financial markets becoming less accommodating in terms of providing access to capital and credit, and the government's failure to invest in increasing output in the agricultural sector that would have eventually led to economic growth and food security.

Ghana's budget deficit in 2022 was reported to be at 9.3% of GDP. Higher government expenditure against subdued earnings amongst other factors contributed to this deficit, causing fiscal imbalances.

Inflation has been on the rise, reaching an estimated 31.3% in 2022, primarily driven by food and energy prices and a depreciating local currency.

Public debt has been a growing concern, with debt levels reaching 88.77% of GDP in 2022, up from 79.6% in 2021. At the close of 2022, Ghana encountered a significant external debt default. Presently, the country is engaged in the intricate process of debt restructuring through the Common Framework, with the objective of reducing external debt payments by $10.5 billion over the upcoming three years.

Ghana has demonstrated comparatively swift progress in addressing its debt challenges, notably when contrasted with peer countries, such as Zambia, that are grappling with similar fiscal issues. The government has promptly executed measures to deal with both domestic and external debt concerns, encompassing innovative strategies including a pension fund debt exchange and a US dollar-denominated bond exchange.

Within the context of this fiscal turbulence, Ghana has initiated dialogues with its official sector creditors. It is anticipated that an accord with bondholders will be reached by the culmination of 2023. Creditors acknowledge the necessity of potential debt write-offs but also seek the inclusion of a "recovery instrument," enabling Ghana to augment repayments should the nation's economic revenues recover swiftly.

The ramifications of Ghana's political commitments, such as the provision of free high school education and the elimination of specific taxes, have been significant. These promises, forged with an electoral victory in mind, have imposed a substantial strain on the nation's fiscal resources. To fulfil these commitments and offset revenue shortfalls, the Ghanaian government resorted to substantial borrowing from both domestic and international sources. This, coupled with external shocks, has exacerbated fiscal and debt vulnerabilities, resulting in the loss of market access and an increased dependence on monetary financing.

Ghana has also achieved a landmark debt restructuring agreement with China and the Paris Club. This accord paved the way for financial assistance from the IMF, which has approved a $3 billion relief package. However, the IMF cautions that delays in debt restructuring agreements with external creditors could impact the efficacy of the bailout programme.

China's pivotal role in Ghana's debt landscape cannot be understated, as the nation holds a significant portion of Ghana's debt, serving as a bilateral lender to Ghana with a contribution of $1.9 billion, representing 3% of Ghana's overall debt burden (as per the IMF Country Report for 2023). A major concern is that a substantial proportion of Ghana's debt to China is collateralised, with assets such as cocoa, bauxite, and oil. This places Ghana at risk of losing vital resources, which may extend even to the tax revenue, should repayments be delayed, particularly if China refrains from making concessions.

The agreements with creditors, particularly those with China, play a decisive role in Ghana's quest for debt sustainability. Negotiations within creditor platforms and the willingness of creditors to make concessions are pivotal to Ghana's economic resurgence and the effective management of its debt.

The IMF consistently underscores the necessity of equitable agreements with creditors to facilitate debt recovery. Ghana confronts the challenge of securing flexibility in debt restructuring, notably concerning debt haircuts. Yet, equitable agreements with creditors are indispensable to Ghana's enduring debt sustainability.

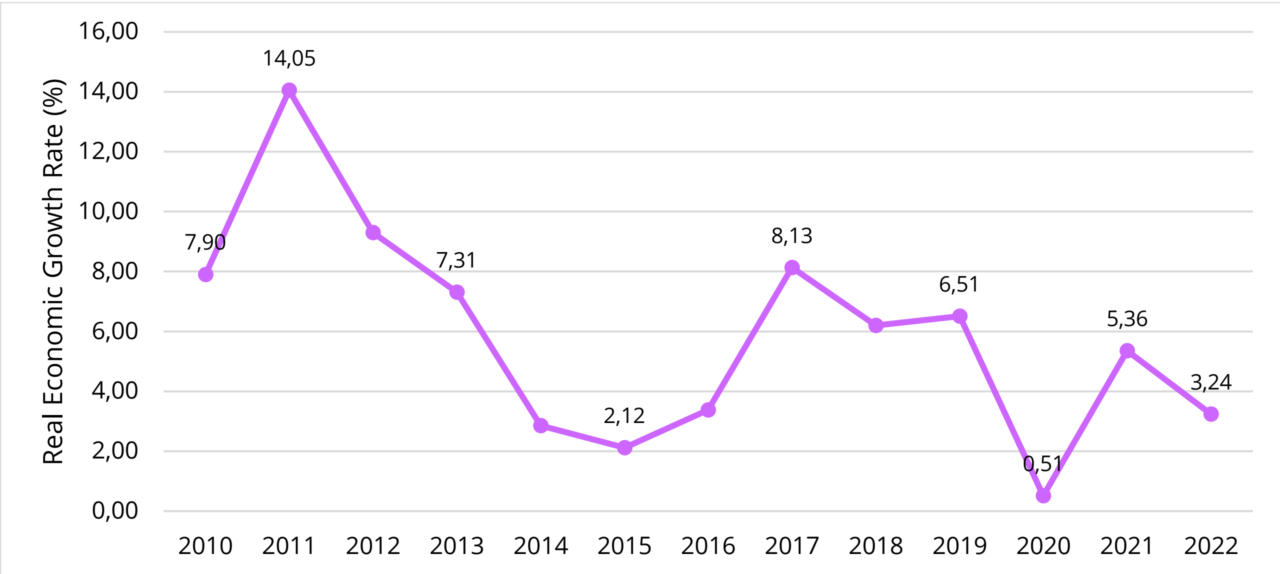
Economic Strength Pillar

Subdued Economic Growth

Ghana's economy had strong growth in recent years, with a real GDP growth rate of 5.36% in 2021. The economic growth experienced between 2017 and 2019 was primarily driven by the oil sector. Despite the enthusiasm surrounding this growth, strategies to ensure that it translated into progress across other sectors of the economy were lacking; hence the tide has turned, and this growth slowed to 3.22% in 2022. This was also due to the impact of the coronavirus pandemic, Russia's invasion of Ukraine, higher food and fuel prices, macroeconomic instability, and tighter global financial conditions. Before resuming its potential, growth is predicted to dip further to 1.5% of GDP in 2023 and stay modest in 2024 at 2.8%. This will have a short-term negative impact on national income and tax revenues.

Agriculture holds immense significance for Ghana, constituting 21% of its GDP, contributing over 40% to its export earnings, and providing more than 90% of the country's food supply. Unfortunately, the government's failure to invest in increasing agricultural output and yields, which could have catalysed economic growth, transformation, and food security, became apparent over the years. Despite being a major cocoa producer, insufficient attention was given to boosting yields and beneficiation initiatives, translating into missed opportunities for foreign exchange earnings, economic growth, and employment.

Real economic growth rate per annum (2010 – 2022)



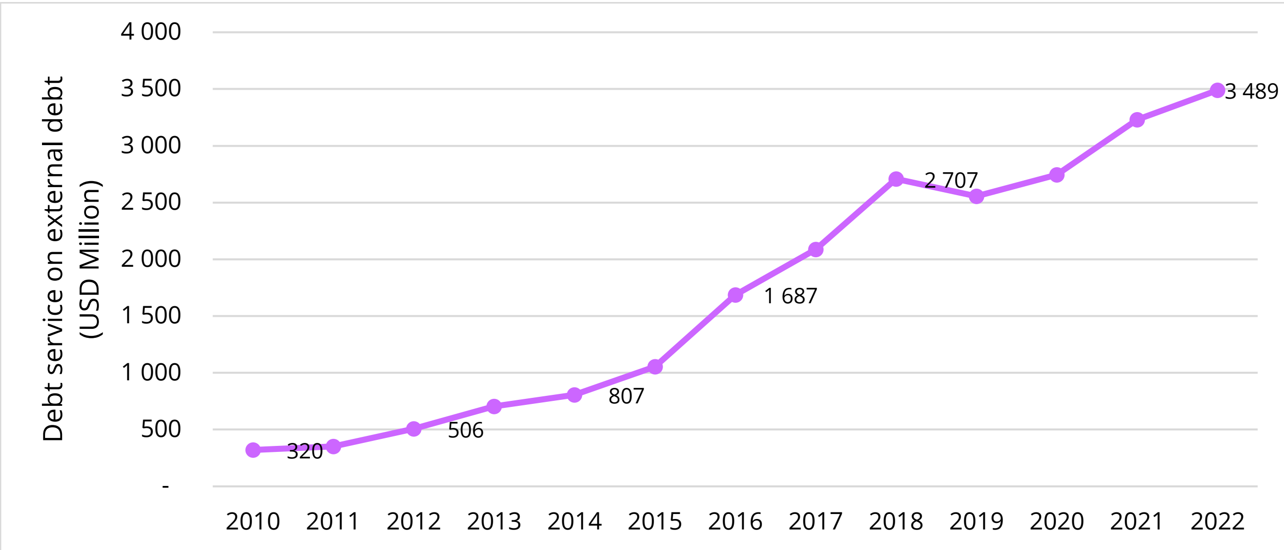
Source: World Bank Development Indicators

Financial Strength Pillar

Government Debt

As of the end of 2022, the government's total debt reached $63.3 billion, owed not only to foreign creditors but also to domestic entities, including pension funds, insurance companies, and local banks, all of which considered government debt a secure investment. Over these seven years, Ghana not only breached the International Monetary Fund's (IMF) recommended debt-to-GDP ratio of 70% but also recorded a staggering debt service-to-revenue ratio of 127%, compared to its 55% threshold. Liquidity pressures have been mounting in recent years. In 2020, the debt service-to-revenue ratio reached a record high of 127%, surpassing other Sub-Saharan African countries and ranking among the world's highest. These fiscal factors collectively shape the credit landscape and challenges in Ghana as of the mentioned period.

Debt service on external debt, total (TDS[2], current US$)



Source: World Bank Development Indicators

Debt Distress

In September 2022, Ghana's mounting debt of $55 billion posed a significant fiscal challenge for the government. Ghana's balance of payments had significantly deteriorated, with a deficit exceeding $3.4 billion, a stark contrast to the surplus of $1.6 billion reported the previous year. The fact that the government's debt servicing obligations surpassed 70% of its total revenue indicated a precarious financial situation. This high debt-to-revenue ratio signified a severe strain on the country's finances, making it extremely challenging to manage its debt burden.

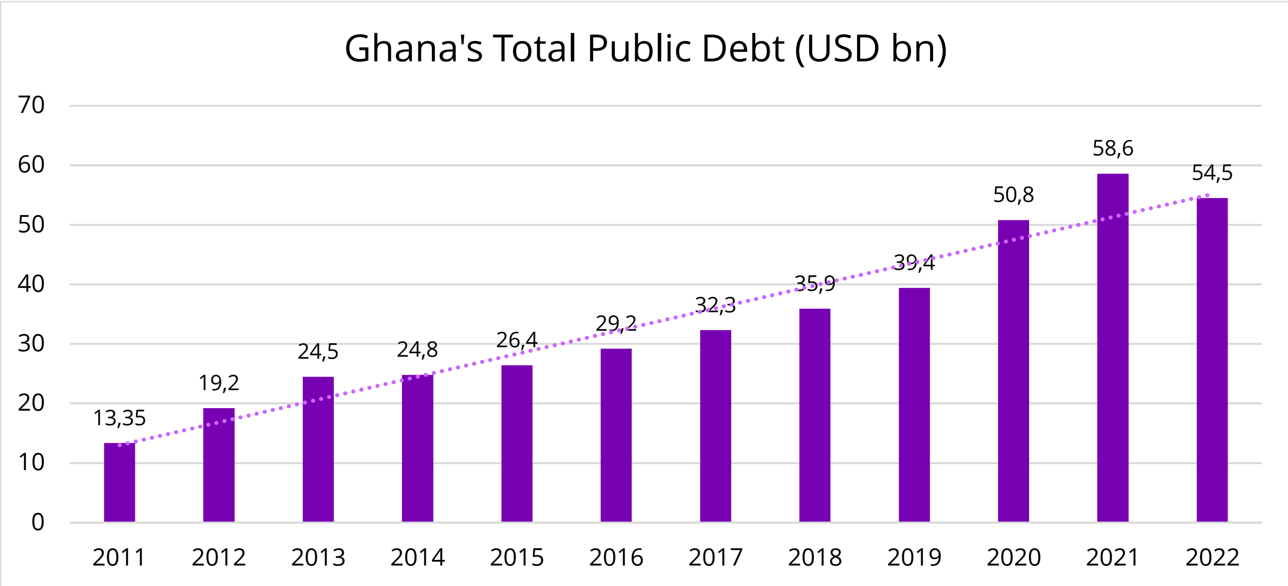
The government's inability to meet these substantial debt-servicing obligations highlights a troubling trend. It suggests that Ghana was struggling to generate sufficient revenue to cover both its operating expenses and the escalating debt payments. This financial predicament not only hampers the government's ability to invest in critical public services but also erodes investor confidence.

[2] Total Debt Service

In December 2022, Ghana confronted a profound economic crisis marked by the suspension of payments on most of its external debt, effectively pushing the nation into a state of default. This dire scenario resulted from Ghana's ongoing struggle to rectify a substantial balance of payments deficit, rendering it incapable of servicing various debts, including Eurobonds, commercial loans, and most bilateral loans.

The situation had worsened due to persistent breaches of the Debt Sustainability Analysis (DSA) thresholds, making it clear that Ghana was in a state of debt distress, with the analysis indicating that the debt had become unsustainable. The loss of access to international financial markets had already occurred in late 2021, further exacerbating the country's financial woes.

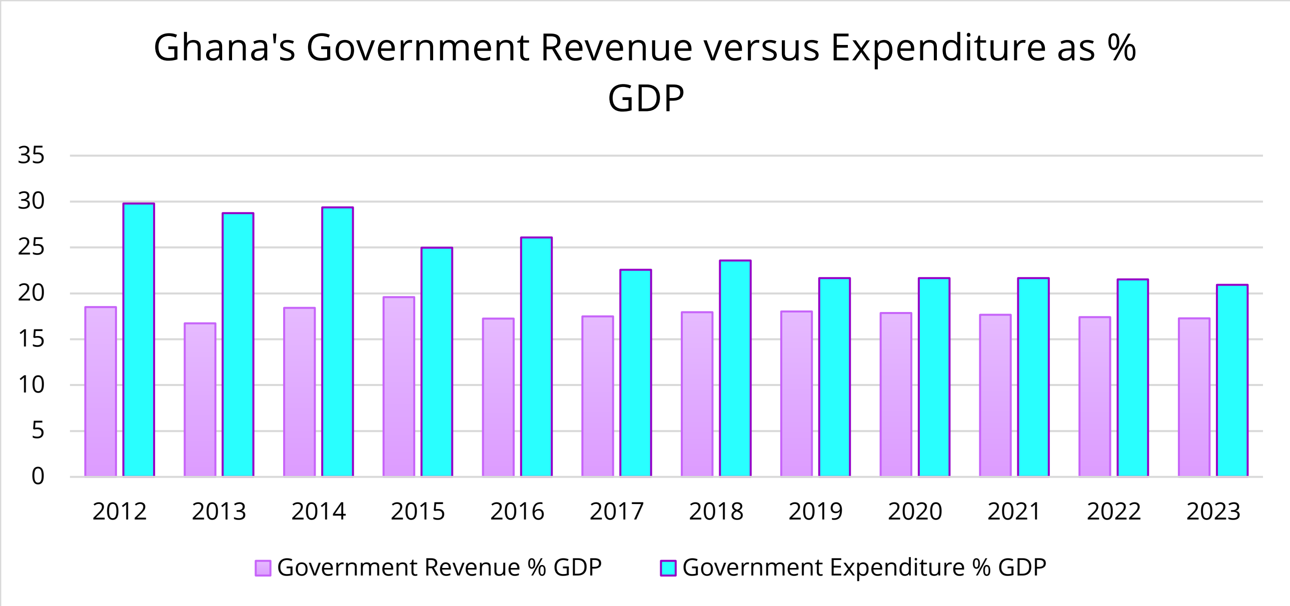
To alleviate this crisis, in May 2023, the International Monetary Fund (IMF) Executive Board approved a 36-month arrangement under the Extended Credit Facility (ECF), providing Ghana with approximately US$3 billion in financial assistance. Additionally, Ghana's fiscal deficit and debt had surged due to the significant fiscal cost associated with the recapitalisation of the financial sector, amounting to an estimated 7.1% of GDP from 2017 to 2021.



Source: Bank of Ghana (BoG)

Government Revenue and Government Expenditure

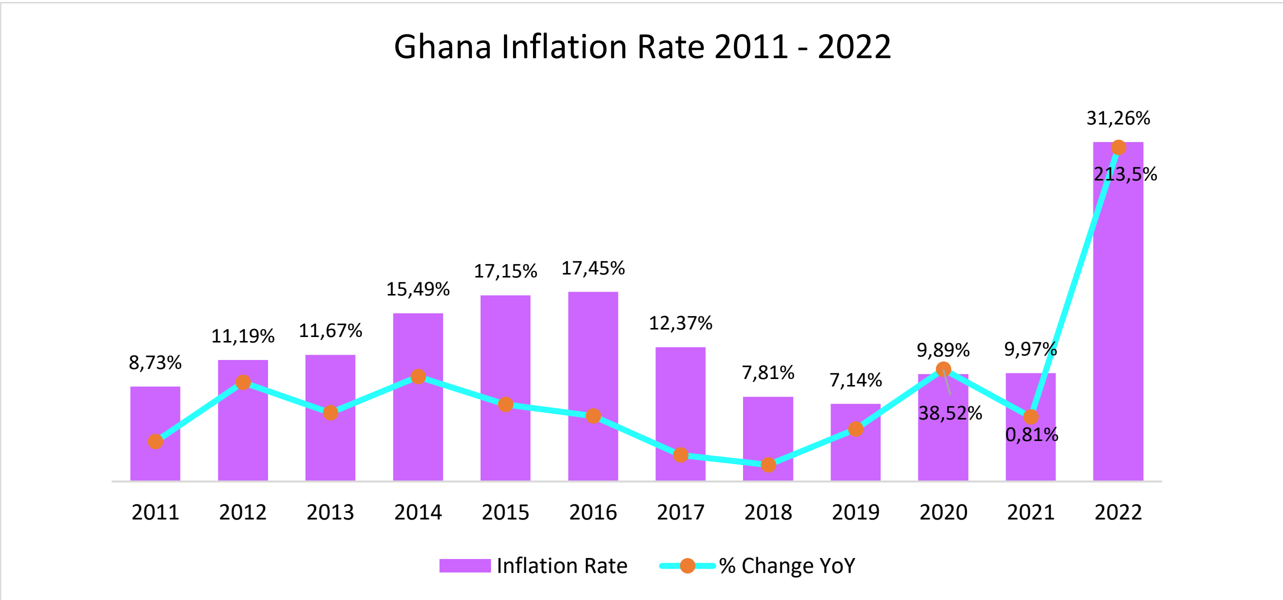
General Government Revenue as a percentage of GDP is expected to be at 17.27% in 2023, while expenditure is expected to reach 20.94%. This potential budget deficit should be closely monitored and may require policy adjustments for fiscal sustainability.



Source: IMF

Inflation Rate

Ghana’s headline inflation remains well above the central bank's target band of 6% to 10%. In 2022, the inflation rate in Ghana amounted to about 31.26%, a 213.5% annual change compared to the previous year.



Source: Macrotrends Database

Fiscal Balance

Ghana is struggling with a fiscal deficit. Several factors contributed to this fiscal imbalance, including high public debt levels, increased public spending, and revenue shortfalls. In 2023, the government targeted for a primary budget surplus of 0.7% of GDP in November, whereas it now foresees a deficit of 0.5% to GDP.

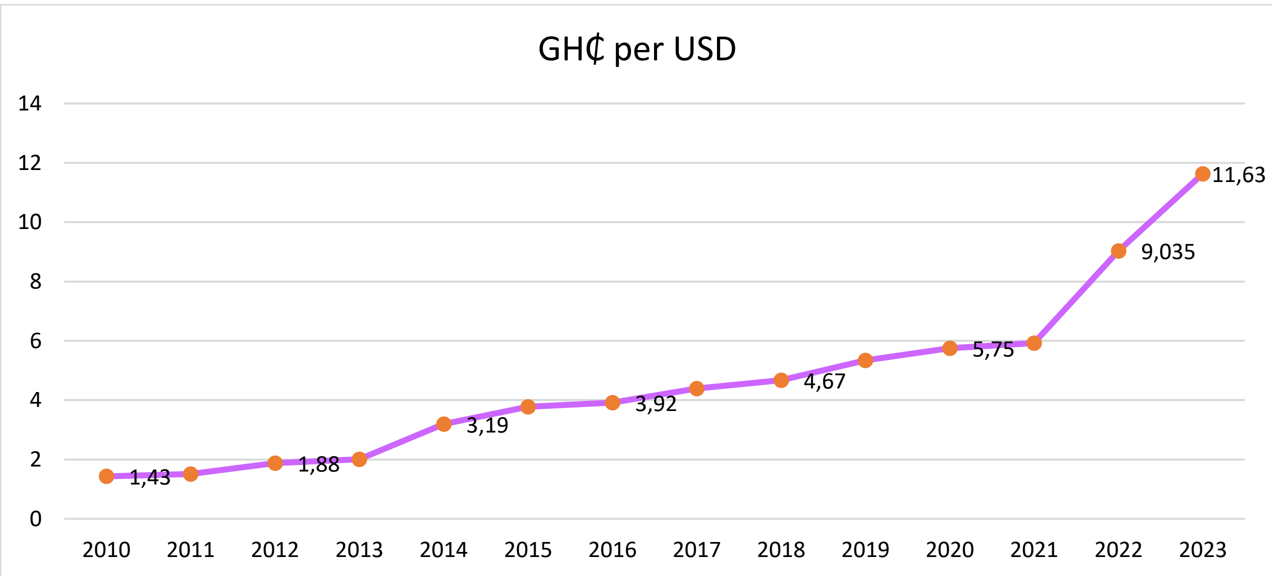
Exchange Rate Stability

The Ghanaian cedi has depreciated sharply against foreign currencies. The cedi declined more than 55% against the US dollar between January and October 2022. This decline, which is among the steepest declines of any currency in the world in 2022, has resulted in high import costs for Ghana.

Ghanaian importers are struggling to stay in business due to the high cost of importing and clearing goods at Ghanaian ports. Some importers are unable to finance planned shipments. Another effect of the continuing sharp depreciation of the cedi vis a vis the dollar is that local clients remain hesitant to commit to long-term dollar-based contracts. Customers remain concerned about the long-term financial impact of such contracts.

Increasingly restricted access to foreign exchange delays trade: as Ghana's balance of payments account is severely constrained, the Bank of Ghana is closely managing the distribution of foreign exchange. Some importers have reported delays in obtaining foreign currency to settle both large and small transactions. The Chamber of Bulk Oil Distributors, for example, cited an acute dollar crunch as the Bank of Ghana is only able to supply its members with 30% of foreign exchange needed to import petroleum products. Further, on November 17, 2022, the Bank of Ghana announced that it would no longer provide foreign exchange support for the importation of rice, poultry, vegetable oil, pasta, fruit juice, bottled water, ceramic tiles, and other goods. The depreciation of the cedi contributed to high cost-push inflation rates in the local market.

Ghana's Exchange Rate against USD, 2010 – 2022



Institutional Strength Pillar

State of Institutions

In the landscape of Ghana's economic institutions, the Bank of Ghana's decision to maintain its benchmark rate at 30% during the September 2023 meeting aligns with a broader strategy aimed at fostering stability. With a cumulative increase of 16.5 percentage points since November 2021, this monetary policy approach has been pivotal in responding to lower inflation rates, a stabilised exchange rate, and resilient economic growth. The annual consumer inflation rate further corroborated this trend, decelerating to a 14-month low of 35.2% in October 2023, down from 38.1% in September and marking the lowest rate since September 2022.

The Bank of Ghana continues to demonstrate adaptability and effectiveness in navigating economic challenges. This state of institutions, complemented by a decreasing inflation trajectory and promising economic indicators, bodes well for Ghana's overall economic health and stability, showcasing a proactive and adept approach to economic management.

However, amidst these favourable economic indicators, recent socio-economic upheaval in Accra, the capital of Ghana, has seen a substantial number of individuals urging the departure of the central bank governor, Ernest Addison, and his two deputies. The call for their resignation stems from perceived mismanagement of the economy amid a severe debt crisis. Demonstrators, grappling with the challenges posed by the crisis, have raised alarms about the reported loss of around 60 billion Ghanaian cedis ($5.2 billion) in the 2022 financial year. Additionally, discontent has been expressed regarding the government's borrowing of $700 million without complete repayment, further contributing to the persistent economic difficulties. This unrest underscores the intricate interplay of economic policy, public sentiment, and the pressing demand for institutional accountability within Ghana's current economic context.

World Economics has converted the ranking data into an index, positioning Ghana's Corruption Perception at 47.8 on a scale from 0 to 100, where 0 indicates absolute corruption and 100 signifies no perception of government corruption. This places Ghana slightly below the global average of 48.4. Notably, research from the United Nations Office on Drugs and Crime (UNODC) also reveals that 26.7% of the adult population in Ghana either paid a bribe to a public official or were asked to pay a bribe but refused to do so in 2021. These findings provide insights into the nuanced landscape of corruption perception in Ghana. This information plays a significant role in shaping economic sentiments and influencing public trust in institutional frameworks.

Environmental, Social and Governance Pillar (ESG)

ESG Imperatives

Ghana's progress in social development is evident, with an adult literacy rate surpassing 70% and enhancements in healthcare services. Ongoing endeavours aim to further improve access to quality education and healthcare, underscoring the government's dedication to social well-being. Ghana however grapples with issues related to income inequality and access to fundamental services. To tackle these challenges, the government has launched several initiatives, showcasing a proactive stance on social development.

Notably, Ghana's Green Growth Index stands at 51%, indicating substantial strides toward achieving green growth objectives. However, to attain economic growth while bolstering climate resilience, Ghana must secure funding from both public and private sources. The annual financing requirement to meet its Nationally Determined Contribution for the period 2020 – 2030 amounts to approximately $1.9 billion. Regrettably, the public sector's contribution stands at $100 million, leaving an annual financing gap of $1.8 billion.

Encouragingly, Ghana's private sector holds the potential to mobilise climate finance equivalent to 8.8% of GDP, which can significantly bolster climate resilience efforts. To address the financing gap, the government is exploring diverse approaches, including private equity, carbon markets, and climate impact bonds.

Furthermore, the government is actively advancing policy and regulatory reforms to facilitate participation in the global climate finance market. These ESG considerations offer valuable insights into Ghana's social and environmental commitments, potentially influencing its sovereign credit rating positively. The government's commitment to addressing societal challenges and promoting climate resilience underscores its dedication to sustainable development, which may have a favourable impact on its rating outlook.

Natural Resource Pillar

Natural Resource Beneficiation

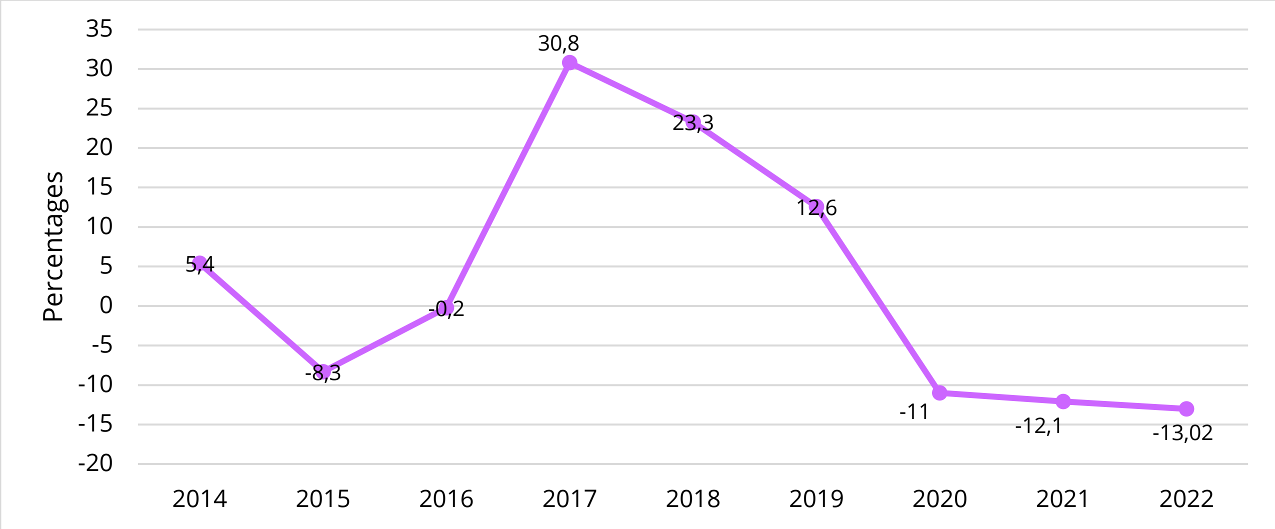
Ghana, richly endowed with precious resources such as gold, cocoa, oil, and timber, has actively pursued strategies to amplify the worth of these resources through refining and manufacturing. For instance, in the context of gold, Ghana boasts a well-established gold mining sector. The transformation of raw gold into refined products like jewellery or bullion substantially bolsters the Manufacturing Value Added (MVA). Similarly, the MVA encompasses the complete cocoa production cycle, including processing cocoa into products like cocoa powder and chocolate.

Ghana's performance in the sphere of natural resource beneficiation, as quantified by the MVA expressed as a percentage of Gross Domestic Product (GDP), is subject to multifarious influences encompassing governmental policies, infrastructure development, technological investments, and international market demand for processed goods.

Mining Sector

In 2022, Ghana experienced a notable surge in gold production, marking a remarkable 32% increase. This achievement propelled Ghana to reclaim its position as the leading gold producer on the African continent, surpassing South Africa. The total gold output reached 3.7 million ounces in 2022, a substantial rise from the 2.8 million ounces recorded in the preceding year. This growth was attributed to increased production in both the large-scale and small-scale sectors of the gold mining industry. The country is one of the leading manganese and bauxite-producing countries in the world. Beyond these pivotal minerals, Ghana actively engages in the extraction of lead, diamonds, lithium, petroleum, and natural gas, contributing significantly to its diverse mineral portfolio.

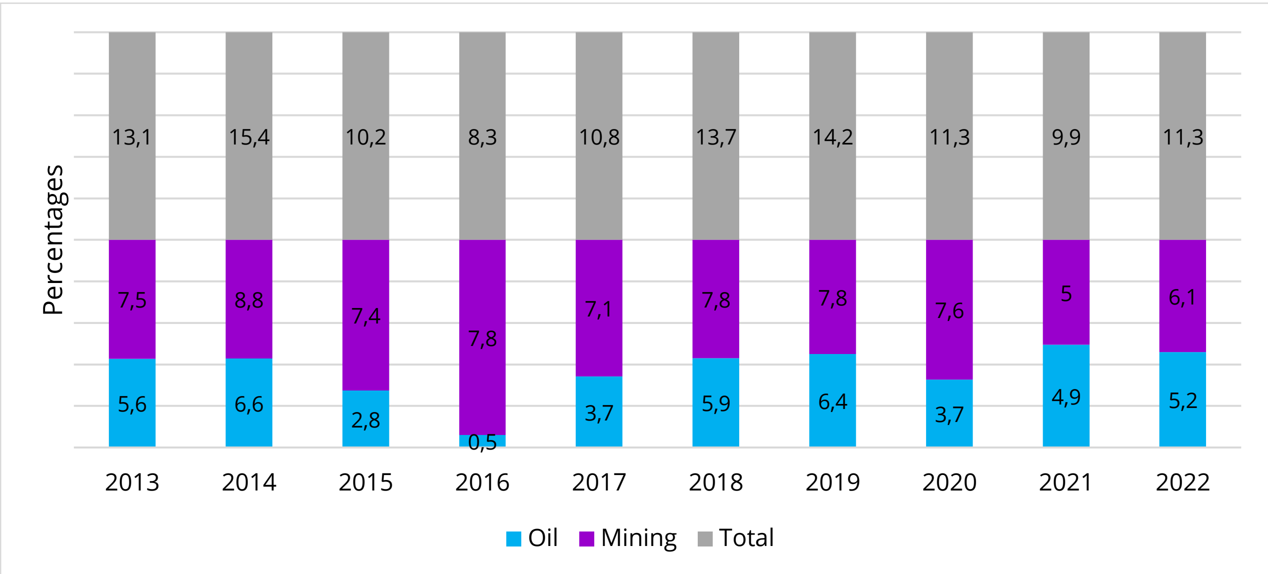
Table: Growth rate of the mining sector in Ghana, 2014 – 2022



Source: SAR calculations based on Ghana Mineral Council

The mining sector holds substantial importance in Ghana, particularly with a noteworthy presence of oil within this sector. Contributions from the mining sector, especially in terms of royalties, are substantial, surpassing other economic sectors. This sector also plays a significant role in generating tax revenue, especially through corporate tax. Despite a decline in mineral revenue leading to a decrease in the minerals sector's share of aggregate merchandise receipts from 48.36% in 2020 to 35.60% in 2021, the mining sector remains the primary source of export revenue.

Table: Contribution of the mining sector in terms of GDP relative to the total economy of Ghana, 2013 – 2022



Source: SAR calculations based on data from the Ghana Mineral Council

Beneficiation

The approved Green Minerals Policy of Ghana, endorsed by the cabinet, stipulates that certain minerals, including lithium, must not be exported in their raw form. This mineral is crucial for the advancement of renewable energy technologies like batteries, electric vehicles, and green energy components. Ghana's recent policy initiative seeks to encourage the involvement of local companies in the mineral value chain and enhance revenue from mineral processing. As of 2022, the manufacturing value added (% of GDP) in Ghana stood at 10.18%, as per data from the World Bank's collection of development indicators. This statistic highlights that beneficiation levels in Ghana, particularly concerning mineral resources and other key commodities, are still at modest levels.

Other Considerations

The African Continental Free Trade Area (AfCFTA)

Ghana plays a pivotal role in the African Continental Free Trade Area (AfCFTA), having ratified the agreement in 2018 and serving as the host country for the AfCFTA Secretariat. As a committed supporter, Ghana actively engages in trade facilitation, aiming to simplify customs procedures and promote the free movement of goods and services under the AfCFTA, positioning itself as a West African trade hub. This trade pact offers significant economic opportunities for Ghana, enabling its businesses to expand in the broader African market. To capitalise on these benefits, Ghana invests in infrastructure development, aligns its policies with AfCFTA objectives, and participates in capacity-building initiatives. Additionally, it actively promotes its products and services to other African nations through trade missions and AfCFTA-related events, fostering access to new markets.

Logistics and Infrastructure Networks

In Ghana, there exists a comprehensive transportation network encompassing road, rail, air, and maritime infrastructure, effectively connecting major urban centres and regions through an extensive network of highways and roads. Notably, Ghana operates significant seaports, including the prominent Port of Tema and Port of Takoradi, which play pivotal roles as key gateways for West African regional trade.

Ghana's air transportation infrastructure is also noteworthy, with international airports like Accra's Kotoka International Airport and Kumasi Airport facilitating both domestic and international travel and cargo transport. Efforts to modernise and expand the railway system are underway to bolster the movement of goods and people.

The country's strategic plans involve establishing logistics and industrial parks to foster trade and manufacturing activities. The Ghana Free Zones Authority has further incentivised investments in logistics and industrial infrastructure.

In tandem, Ghana has directed substantial investments towards enhancing road infrastructure, focusing on the construction and refurbishment of major highways and urban road networks to improve connectivity and reduce transportation costs. Moreover, the nation has augmented its energy infrastructure to meet surging demand, with a commitment to renewable energy sources like solar and wind.

Ghana's telecommunications sector has experienced rapid growth, expanded mobile and internet connectivity and facilitating efficient business communications and information access. Additional efforts have been exerted to ameliorate access to clean water and sanitation services, particularly in urban areas. The construction sector is vibrant, addressing housing deficits through various housing projects.

The government has prioritised educational and healthcare infrastructure development, investing in schools and healthcare facilities to ensure accessible education and healthcare services. Despite these advancements, Ghana's logistics sector grapples with challenges. Insufficient road maintenance results in transport bottlenecks, although the overall road network is generally robust. Customs and bureaucratic procedures present hurdles to logistics, although ongoing efforts seek to streamline and expedite these processes for enhanced efficiency. The adoption of digital platforms and inventory optimisation systems in response to recent information technology advancements has notably improved logistics efficiency, reducing bottlenecks and enhancing overall resilience in the industry.

Ghana's Current Economic and Fiscal Landscape

In his budget speech on November 15, 2023, Ghana's Finance Minister, Mr Ken Ofori-Atta, disclosed that the country has received proposals from Eurobond bondholders, instilling confidence in negotiations with external creditors. This development is pivotal for securing a crucial second tranche of US$600 million from the IMF. The ongoing external debt restructuring adheres to specified parameters, including a potential haircut, a maximum 5% interest rate, and a maturity period not exceeding 20 years. The successful restructuring is anticipated to have a positive impact on Ghana's overall debt trajectory, aligning with the goal of reducing the debt-to-Gross Domestic Product (GDP) ratio to 55% by 2028.

Ghana has demonstrated fiscal prudence, experiencing a decline in total public debt from 73.1% of GDP at the end of 2022 to 66.4% as of September 2023. The IMF's Staff Level Agreement confirms Ghana's success in meeting all six Quantitative Performance Criteria (QPCs), including achievements in social spending, non-oil public revenue, and zero net accumulation of payables extension. Accomplished structural benchmarks showcase Ghana's dedication to economic reforms, although an unmet Energy Sector Recovery Plan benchmark highlights ongoing challenges.

Ghana's pursuit of debt relief under the G20 Common Framework for Debt Service Suspension Initiative (CF-DSSI) led to the establishment of the Official Creditor Committee (OCC) by bilateral creditors on December 13, 2022. Mr Abebe Aemro Selassie, Director of the African Department at the IMF, emphasised Ghana's fulfilment of obligations, highlighting creditors' responsibility for the next steps.

The IMF identified Ghana's fiscal challenges rooted in structural weaknesses in domestic revenue mobilisation. Planned reforms, including a Value-Added Tax (VAT) rate increase, E-Levy restructuring, removal of customs discounts, and income-based tax revision, aim to contribute approximately 1% to GDP by the end of 2023. The emphasis on structural reforms reflects Ghana's commitment to addressing fiscal challenges and creating a more sustainable revenue base, striking a balance between revenue enhancement and economic growth.

Rating Sensitivities

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- Reducing the proportions of external debt payments in comparison to revenues and exports to levels below specific thresholds, and also diminishing the proportions of the total present value of debt, both overall and external, in relation to GDP.
- Streamlining tax incentive regimes and improving revenue administration can lead to sustainable growth in domestic revenue. This emphasises the importance of optimising tax systems and revenue collection to support economic growth.
- Implementing tighter expenditure controls to improve budget execution accuracy is essential for prudent fiscal management. This highlights the significance of controlling government spending for effective fiscal management.
- Preventing new arrears accumulation demonstrates the government's commitment to responsible financial management. This underscores the responsibility of the government to manage its finances responsibly and avoid accumulating debt.
- Enhancing the investment climate through improvements in transparency, accessibility, and quality of business regulation is likely to attract more Foreign Direct Investment (FDI).
- Incorporating these recommendations into policy and governance practices can be viewed positively by SAR, as they suggest a commitment to addressing structural issues, enhancing fiscal management, attracting investment, and promoting economic resilience. These actions may contribute to improved credit ratings for Ghana by addressing both short-term challenges and long-term economic stability.

Rating Summary

Ghana's sovereign rating report provides a comprehensive view of the nation's economic landscape, marked by significant challenges and notable strengths. On the one hand, Ghana has faced substantial economic hurdles, including declining GDP growth, a liquidity crunch, a debt crisis, sharp depreciation of the Ghanaian cedi, fiscal deficits, and surging inflation rates. In December 2022, the country faced a severe economic crisis that led to the suspension of payments on most external debt, necessitating a 36-month $3 billion Extended Credit Facility (ECF) Arrangement for Ghana by the IMF Executive Board.

Conversely, Ghana possesses inherent strengths, including abundant natural resources like oil and cocoa, a well-established transportation network, progress in social development, and active participation in the African Continental Free Trade Area (AfCFTA).

The report underscores the critical importance of addressing the economic challenges through prudent fiscal and monetary policies, structural reforms, and external support. Ghana's commitment to navigating these challenges will significantly impact its sovereign rating outlook.

While grappling with economic difficulties, the nation's potential remains evident. The efficient utilisation of its natural resources, investment in infrastructure, and continued commitment to social development and regional economic integration position Ghana on a path toward economic recovery and resilience.

Ghana's journey to economic stability and growth is contingent on its dedication to sound governance and prudent economic management.

Rating Methodology

Methodology: Sovereign Rating Methodology – Sovereign – Sovereign States

https://saratings,com/static/assets/file/ratings_methodology/Sovereign_Rating_Methodology_-_Sovereign_States,pdf

Rating Categories

SAR's rating categories can be accessed in the above referenced Sovereign Rating Methodology. The categories are reflected in Table 3 in the said Sovereign Rating Methodology.

Credit Rating Update

Unsolicited credit rating review.

SAR confirms that the credit rating has been disclosed to the rated entity.

Rating Definitions

https://www,saratings,com/static/assets/file/ratings/SAR_Ratings_Definitions,pdf

Rating History

Initial Rating Date	**24 November 2023**	**Current Rating Date**	**24 November 2023**

Information and Data

SAR confirms that data and information adequacy were sufficient to conduct this credit rating. Data and information from reputable sources were used during the credit rating process. The quality of the data and information has been validated via cross-referencing against various data sources for consistency.

Glossary of Terms

Term	Definition
The African Continental Free Trade Area (AfCFTA)	The African Continental Free Trade Area (AfCFTA) is a landmark trade agreement among African countries aimed at promoting intra-Africa trade and economic integration. It was established with the goal of creating a single market for goods and services on the continent, removing trade barriers, and fostering economic cooperation among African nations.
Credit Rating Action	Any of the following is a credit rating action: 1. The process through which a credit rating is given to a rated entity or obligation, including credit ratings given during a subsequent rating process. 2. When relevant conditions are thought to have been satisfied in the anticipated ratings process, a provisional note is removed from a credit rating. 3. A change to a credit rating (i.e. upgrade or downgrade). 4. Placing a credit rating under review, reconfiguring an active review, or removing a credit rating from review (i.e. credit rating confirmation). The assignment of, or modification of, an outlook linked to a rated entity or several credit ratings. 5. A credit rating affirmation. 6. A credit rating withdrawal.
Current Account Balance	Exports of goods and services minus imports of the same plus net factor income plus official and private net transfers.
Default	The definition of default includes both payment default, where the issuer fails to make principal or interest payments on the due date or within a grace period, and distressed exchanges, where the issuer offers new debt for old debt on terms (e.g. coupon maturity) that are less favourable than those of the original instrument.
Employee(s)	An employee is any full-time or part-time employee of SAR or any of its subsidiaries and associated companies.
Foreign Direct Investment (FDI)	Direct investment conducted by non-residents.
Gross Domestic Product (GDP)	Total market value of goods and services produced by resident factors of production.
GDP per Capita	GDP divided by population.

Issuer	Issuer is any entity that issues debt, a credit commitment, debt-like obligations, or securities. Examples of such entities include special purpose vehicles, companies, governments, and local governments.
Lead Rating Analyst **(Lead Analyst)**	Lead rating analyst is a term used to describe an analyst who is primarily responsible for providing details about a credit rating and/or for communicating with the issuer(s) regarding a specific credit rating or regarding the credit rating of a financial instrument issued by that issuer, as well as, when appropriate, for creating recommendations for the rating committee in relation to that credit rating.
Manager(s)	Manager(s) are employees who oversee managing personnel.
Net General Government Debt	General government debt minus general government liquid financial assets.
Net External Liabilities	Total public- and private-sector liabilities to non-residents minus total external assets.
Outlook	An outlook is an opinion regarding the likely path that an issuer's rating could take over the medium term.
Prohibited **Recommendation**	Any proposals or recommendations made either formally or informally regarding the design of financial instruments on which a CRA is envisioned to issue a credit rating may be made by an employee to a rated entity or its agent to improve the rated entity's rating. This includes suggestions about the rated entity's corporate or legal structure, assets, liabilities, or activities.
Rated Entity(ies)	A rated entity is any entity rated by a credit rating agency (CRA).
Review	A review is an indication that a rating may change in the not-too-distant future.
SAR	Sovereign Africa Ratings (Pty) Ltd is authorised to conduct business as a credit rating agency as per the Credit Ratings Services Act of 2012 of the Republic of South Africa.
Special Drawing Rights (SDR)	The SDR is an international reserve asset, created by the International Monetary Fund in 1969 to supplement its member countries' official reserves.
Security	Security refers to any type of financial instrument, including stocks, bonds, debentures, notes, options, equity securities, convertible securities, warrants, derivative securities (derivative), and warrants.
Subsequent Ratings **Process**	Ratings after that process is the process of determining the credit ratings to be assigned (together with the related outlook or review status, if applicable) solely based on the credit ratings of a programme, series category/class of debt, or principal rated entity that already exist.
Total Debt Service (TDS)	Total Debt Service (TDS, current US$) refers to the total amount of money paid by a country to cover the principal and interest payments on its external debt. External debt includes loans and financial obligations owed to foreign creditors, such as other governments, international organisations, or private entities by the country in question.

SOVEREIGN AFRICA RATINGS

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