

## State of the Nation Address (SONA) 2023

Ghana | 09 March 2023

### Singing the Same Tune

In fulfilment of Article 67 of the 1992 Constitution, Ghana's president, Nana Akufo-Addo, presented the State of the Nation Address on 08 March 2023. Among other themes, the President's address covered the economy, reiterating the high inflation and FX pressures which culminated in the public debt restructuring. Expectedly, it was a travel down memory lane to recount the impact of the COVID pandemic in 2020 and Russia's invasion of Ukraine in 2022 as the turning points in Ghana's economy which, hitherto, "was on a good trajectory".

Overall, the President justified the COVID-related expenditures on the back of the exigencies of the time. He, however, maintained the authorities' expectation for an IMF-supported 3-year adjustment programme to correct the resultant economic fallout.

### Highlights from the President's Address:

- **A 3-year IMF Programme:** The Ghanaian authorities expect to present the Staff Level Agreement to the IMF Board for approval by end March 2023 as most of the prior actions such as the passage of some 2023 revenue measures and domestic debt restructuring have been concluded.
- **External debt restructuring:** The President reiterated the government's target to reduce the Debt-to-GDP ratio from 103% in 2022 to 55% by 2028 and external debt service-to-revenue ratio from 29% in 2022 to 18% by 2028. In this regard, the President confirmed progress in the negotiations with the Paris Club countries and China to ensure an orderly external debt restructuring under the G20 Common Framework. The Ghanaian authorities remain hopeful of expedited financing assurances from external creditors to achieve the March 2023 deadline for an IMF Board approval of Ghana's Programme request.
- **Revenue measures:** The introduction of E-VAT and E-Invoicing systems has significantly improved the prospect of government's revenue collection as nineteen (19) tax paying companies onboarded onto the E-VAT system reported a 252% y/y jump in FY2022 sales.
- **Security:** The President expressed concern about the extraordinary expenditure on security at Ghana's borders without providing details on the amount spent. He however emphasized the necessity of the high expenditure to keep Ghana's borders safe in order not to compromise the safety and security of the country amidst the elevated security risk in the sub-region.
- **Health:** Drone delivery services are fully established in Ghana. While childhood vaccines with 8.3 million doses top the list of medical deliveries with drones, the President also expressed concern over the current shortage of childhood vaccines across the country. Consequently, the government is taking steps to ensure that these vaccines are procured and supplied as a matter of urgency.

### Our views:

We maintain our expectation for IMF Board approval and start of the reforms programme in 2Q2023

- Until now, the Ghanaian authorities did not provide a definite target date in March 2023 for securing the IMF Board approval. The President's indication of end March 2023 in his SONA is the closest indication of a target date. However, the date remains contingent on expedited negotiations and financing assurances from external creditors as well as the passage of outstanding revenue bills currently with the Legislature. These revenue bills include the Income Tax Amendment Bill, The Excise Duty and Excise Tax Stamp Amendment Bill, and the Growth and Sustainability Levy Bill.

While we are confident that the legislative approvals can be expedited to support the IMF Board approval, we remain cautious on timely financing assurances from creditors as negotiations with China's creditor committee could be a sticky point. In view of this, we maintain our expectation for Ghana to secure IMF Board approval for the start of its adjustment programme in 2Q2023.

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