



PRESS RELEASE

REJOINDER: BANK OF GHANA FINANCING OF 2022 BUDGET DEFICIT

Bank of Ghana's attention has been drawn to renewed discussion in the media regarding the Bank of Ghana's financing of the budget in 2022. While this particular issue has been comprehensively addressed by the Bank of Ghana in an earlier press release, dated 11th November 2022, and more recently at the Monetary Policy Committee press conference on 30th January 2023, Bank of Ghana is compelled to re-state its earlier assessment and address misinformation and inaccuracies, and to anchor the discussions in the public domain.

First, it will be important to recall the circumstances under which Government of Ghana decided to seek IMF support. Ghana had lost access to the International Capital Market, domestic revenue was significantly underperforming and not realized, pushing the state of government finances into near external and domestic default. With the above, the policy choices were not that of business as usual but rather a more challenged conduct of macroeconomic policy in the context of crisis. The government needed to finance critical expenditures for which Bank of Ghana needed to provide the necessary financing to avert a disorderly default of both servicing for domestic and external debt including financing critical imports to keep the economy on the stable path.

In fact, while the team from the International Monetary Fund (IMF), who assessed the situation of the economy, noted that this outcome is sub-optimal, it was agreed that this temporary arrangement was needed as part of a comprehensive solution to be addressed in the Government's economic policies and programmes to be supported by the IMF. And so, the indication in the media that the IMF came and uncovered the extent of the overdraft is wholly inaccurate.

Second, it must be recognized that the ongoing debt operations are part of the corrective measures designed to address the financing problem of the budget. Bank of Ghana financing was part of a crises management tool used in dealing with the difficulties of 2022. In 2020, the Parliament of Ghana suspended the Fiscal Responsibility Act, 2018 (Act,982) in view of the crises precipitated by the COVID-19 pandemic. The Fiscal Responsibility Act has not yet been reinstated by Parliament.

Against this backdrop, below are details of the Bank of Ghana's claims on Government as at December 2022:

- **GH¢ 7.2 billion**, representing Bank of Ghana's purchase of treasury bonds from banks to provide them with liquidity to enable them meet their obligation to customers;
- **GH¢ 8.9 billion**, representing on-lending facilities granted by the international Monetary Fund (IMF) for onward lending to Government;
- **GH¢ 37.9 billion**, representing overdraft extended to Government, solely meant for the purpose of addressing auction shortfalls and paying customers whose bonds had matured and for which Government did not have adequate resources;
- At the same time, Government Deposit liabilities at the Bank of Ghana recorded an increase of **GH¢ 9.5 billion** in the course of 2022;
- On a net basis therefore, putting together all claims and netting off all deposit liabilities, these transactions resulted in an increase in Bank of Ghana's net claims to the Government by **GH¢ 44.5 billion**.

We would like to draw the public's attention to the statement made by Hon. Haruna Iddrisu during the 2023 budget discussions in Parliament in which he requested the Finance Minister to brief Parliament on the extent of Bank of Ghana's financing of the Government's budget and on the new limit agreed. We expect that this will be complied with.

(SGD.)
SANDRA THOMPSON (MS)
THE SECRETARY

9TH FEBRUARY 2023