

BOG PROVIDES A BREAKDOWN OF THE GHC 22.5 BILLION FINANCING OF THE BUDGET IN 2020

The Director of Research **PHILIP ABRADU-OTOO** was contacted to provide a perspective from the central bank on the 22.6 billion increase in the central bank claims on government in 2020. You may recall that in Appendix the budget statement read in March 2021 appendix 2A of the 2021 budget, under financing it shows a central bank financing figure of GHC22.5 billion.

In providing a breakdown of the numbers, the Director explained that of the GHC 22.5 billion financing of the budget, **GHC 10.0 billion** represented the amount that was executed within the law under the Asset Purchase Programme. He explained that section 30 of the BOG Act, Act 612, 2002, provides for the Central Bank, the Ministry of Finance and the Controller and Accountant General to meet to decide on the limit of borrowing to be made by Government. The law further states that upon agreement of the limit, parliament should be informed. This amount of GHC 10.0 billion was given to Government in two tranches, first, a GHC 5.5 billion in May 2020 and second, a 4.5 billion in September 2020

Other additional transactions that added up to the **GHC 22.6 billion** were as follows, he explained:

- (i) The IMF Rapid Credit Facility of US\$1 billion that was provided to the Government of Ghana to help deal with the COVID pandemic situation. This was made available to Government in April 2020. This IMF resource was lent to the BOG and the BOG further on-lent this facility to GOVT. The IMF at the time of disbursement of the facility indicated that this was to be treated as budgetary support. Through the Central Banks on-lending operations, the Bank of Ghana created a claim on Government to that amount and credited Government deposits, same. The amount involved here was **GHC 5.6 billion**
- (ii) In addition, we may recall that Extended Credit facility Programme which begun in 2015, expired in 2019. Resources from the completion of the 7th and 8th review of the program was made available to Government by the IMF in December 2019. Governments accounts were credited with the cedi component of the facility in the first quarter of 2021. Here too, the IMF indicated that the resource was to be applied as budgetary support which resulted in a claim of **GHC 0.98 billion** being raised by the Central Bank against Government.

- (iii) To support smooth operational efficiency at Consolidated Bank Ghana Ltd and to help pay off depositors who had their funds locked with MFI and Finance Houses, the Bank of Ghana took steps to monetize CBGs holdings of Financial Sector Bonds. The Bank of Ghana took hold of bonds held by CBG and provided CBG with liquidity to meet its obligations. This was charged to Government and the BOG raised a claim to the tune of **GHC 5.1 billion** on Government.
- (iv) The last component in the amount of **GHC 0.925 billion** represented interest payment due the Bank of Ghana from Government. As a result of financing challenges fostered on Government by the pandemic, the payment of this amount proved difficult. This amount was securitized and a corresponding BOG claim was raised on Government

The sum total of the **GHC 10 billion** Asset purchase programme which was executed within the context of the law, the IMF rapid credit facility of **GHC 5.6 billion** which was treated as budgetary support, the IMF Extended Credit facility Completion amount of **GHC 0.98 billion**, the **GHC 5.1 billion** liquidity to CBG to help pay off depositors of MFIs and Finance Houses and the **GHC0.92 billion** in deferred interest payment to BOG which was securitized forms the breakdown of the **GHC 22.6 billion**

Table 1:
Explaining the FLOW in BOG Total Claims on Government
Figures in Millions of Ghana Cedis

Total BOG Claims on Government as Captured in Budget	22,680.71
A Asset Purchase Prog in Line with Law to Address COVID Shock	10,000.00
B IMF Extended Credit Facility to help deal with the COVID pandemic situation. The IMF made this available to Government in April 2020. The resources were lent to the BOG and the BOG on-lent this facility to GOVT	5,587.51
C Resources from the IMF associated with the completion of the 7th and 8th Review of the ECF prog which started in 2015, was suspended in 2017 and which was finally concluded in 2019. The resources were not made available to Government in 2019 but reflected in their accounts in Q1:2021	981.00
D Interest payment due BOG on non-marketable security. COVID conditions meant challenges faced by Govt in repaying. This was securitized by BOG	925.00
E Monetization of Financial Sector Bonds held by CBG to support their operational efficiency and to help pay-off depositors who had their funds locked with MFI	5,187.20