



Program Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 08-Jun-2020 | Report No: PIDA29479



BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Ghana	P173930	COVID-19 Crisis Response Emergency Development Policy Financing (P173930)	
Region	Estimated Board Date	Practice Area (Lead)	Financing Instrument
AFRICA	24-Jun-2020	Macroeconomics, Trade and Investment	Development Policy Financing
Borrower(s)	Implementing Agency		
Republic of Ghana	Ministry of Finance, Ministry of Health, Ministry of Gender, Children, and Social Protection		

Proposed Development Objective(s)

The development objectives of the proposed emergency DPO are to: (1) Support crisis response through removal of barriers to COVID-19 testing and treatment and the protection of the poor and vulnerable; (2) Strengthen support to SMEs, jobs, and economic recovery; and (3) Support fiscal management and debt transparency through the crisis.

Financing (in US\$, Millions)

SUMMARY

Total Financing	350.00
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DETAILS

Total World Bank Group Financing	350.00
World Bank Lending	350.00

Decision

Other

Explanation

“The Chair authorized the team to appraise the operation. Negotiations will be done only after the LEG has received the requisite evidence on completion of prior actions and will be subject to the receipt of the following: (1) A letter from MoF outlining a monthly payment plan regarding the full repayment of the Sankofa letter of credit before end November 2020, and proof of first month down payment; and (2) A revised Letter of Development Policy that includes Government’s commitment to clearing public payment arrears to the private sector; and addressing the energy sector contingent liabilities.”



The World Bank

COVID-19 Crisis Response Emergency Development Policy Financing (P173930)



B. Introduction and Context

Country Context

1. **The Government of Ghana (GoG) has acted swiftly to mitigate and contain the health and economic impact of the COVID-19 pandemic.** Ghana recorded its first case of COVID-19 on March 12, 2020. From the initial two confirmed cases, the situation has evolved quickly and reached 9,638 confirmed cases as of June 5, 2020 with 38 deaths. Ghana was one of the earliest countries in Africa to announce social distancing measures to flatten the curve. On March 20, it announced measures including school closures, cancelling of religious and other mass gatherings, border closures and quarantine for all travelers. On March 30, the two worst affected metropolitan areas, Accra and Kumasi were put under a partial lockdown that was subsequently lifted after three weeks. Non-essential businesses were allowed to re-open after April 20, 2020. The majority of people who have tested positive so far are being kept in isolation centers in various parts of the country where they are being treated free of charge. Social distancing measures have been complemented by aggressive testing. Since the beginning of March, Ghana has undertaken 233,734 COVID-19 tests.

2. **Prior to the COVID-19 crisis, Ghana was one of the fastest growing economies in Africa, averaging 7 percent growth over the 2017-2019 period.** A concerted fiscal consolidation program between 2015 and 2018 helped narrow the headline fiscal deficit to below 5 percent of GDP. New fiscal pressures arose from a costly financial sector clean-up over 2018-2020, and the start of the Energy Sector Recovery Program (ESRP) in 2019. The Government committed to finance the annual sector financial shortfall to bring the sector back to financial sustainability by 2023. Hence, the overall fiscal deficit, including the energy and financial sector costs, was already elevated in 2019 at 7.5 percent of gross domestic product (GDP) (of which financial sector costs were 1.7 percent of GDP, and energy sector costs were 1.1 percent of GDP). Ghana's large contingent liabilities in the energy sector, unless addressed expeditiously through a sustained implementation of the Government's ESRP, pose considerable risks to the fiscal and macroeconomic outlook. Inflation was progressively reduced from 17.3 percent in 2015 to 7.9 percent in 2019. Robust export growth put the merchandise trade balance into surplus and contributed to reducing the current account deficit to less than 3 percent of GDP in 2019. However, key challenges remained, including enhancing domestic resource mobilization and addressing rising debt levels as the country has been at a high risk of debt distress since 2014.

3. **The economic impact of the COVID-19 crisis is expected to be substantial.** Economic activities have collapsed with the (temporary) lockdown of the two major cities (Accra and Kumasi) and growth could slow considerably from 6.5 percent in 2019 to as low as 1.5 percent in 2020. Inflationary pressures have risen with the disruption of the global supply chain and domestic agriculture. A substantial fiscal gap has arisen from the COVID-19 crisis as a result of reduced revenues, primarily from lower oil-related revenues and lower economic activities, and the need to increase expenditure, including in the health sector. The overall fiscal deficit is projected to increase by 3.3 percentage points of GDP to 9.7 percent of GDP in 2020 (up from a pre-COVID-19 crisis projection of 6.4 percent of GDP). On the external side, a widening current account deficit and large-scale outflows in investment on the financial account are expected to lead to a COVID-19-related balance of payments (BoP) gap of US\$1.5 billion (2.3 percent of GDP). These projections are in the context of high levels of uncertainty and the severity of the impact of the crisis will depend not only on the actual spread and duration of the domestic COVID-19 outbreak, but also on the post-crisis growth path of the global economy.

Relationship to CPF

4. **The proposed operation supports the World Bank Group's overall engagement in Ghana and is aligned with the**



priorities outlined in the World Bank SCD (2018)¹ and the framework to address the pandemic in the Africa region. A new country partnership framework covering Fiscal Year (FY) 21-26 is under preparation drawing on the SCD priorities and the Government's recovery program. The World Bank SCD (2018) emphasized four pathways for shared prosperity in Ghana: (i) reducing spatial inequities and vulnerability, (ii) better macroeconomic management for economic diversification; (iii) better-quality jobs and opportunities; and (iv) strengthening governance and Government effectiveness. The support provided in this emergency operation relates to these pathways. Policy reforms related to health and social protection in this operation contribute to the SCD pathway 1. Crisis support provided to MSMEs and broader business environment reforms pursued through this operation contribute to the SCD pathways 2 and 3. And fiscal and debt-related reforms are aligned with the SCD pathway 4. This operation is also fully aligned with the Africa region's framework to address the pandemic aimed at supporting policy reforms to create fiscal space and redirect spending to protect lives and livelihoods; and laying the foundations for a more robust post-COVID-19 recovery.

C. Proposed Development Objective(s)

5. **The development objectives of the proposed emergency DPO are to: (1) Support crisis response through removal of barriers to COVID-19 testing and treatment and the protection of the poor and vulnerable; (2) Strengthen support to SMEs, jobs, and economic recovery; and (3) Support fiscal management and debt transparency through the crisis.** *First*, the proposed operation supports the timely provision of COVID-19-related health services, free access to COVID-19-related diagnosis and treatments as well as financial and in-kind support to households and individuals to mitigate the impact of crisis-related shocks through extraordinary LEAP payments as well as food. *Second*, the operation supports measures to enhance access to liquidity for MSMEs through the CAP's emergency MSME fund; and enhance critical regulatory reforms – the Corporate Insolvency and Restructuring Act, 2020 (Act 1015), and the Borrowers and Lenders Bill – to ready the business environment for the post-crisis recovery. *Third*, the improvement of debt reporting related to energy SOEs for which the Government provided guarantees that came due in 2019 and credit risk assessments of SOEs and statutory bodies.

Key Results

6. **The key result for this operation is improved COVID-19 crisis response of Government in health and social protection, preserved jobs and facilitated economic recovery, and improved fiscal and more transparent debt management.** It is expected that *Prior Actions under Pillar 1* will ensure that services are available at the required geographic locations in a timely fashion. Free access to diagnostics and treatment will ensure that no individual is deterred from seeking COVID-related health services. The augmented safety net will provide direct income support to the poor and help mitigate the crisis impact and preserve their livelihoods. *Prior Actions under Pillar 2* are expected to lead to greater resilience of MSME firms and lay the foundation for a more rapid post-crisis recovery. A key expected result of the actions proposed under this pillar is that 200,000 jobs are supported among SMEs that receive a loan/grant from the fund. Over the medium term, the updated insolvency regulations and the Borrowers and Lenders Bill will, respectively, support economic recovery and lead to improvements in the Doing Business report scores and improved access to finance. The *Prior Action under Pillar 3* is expected to enhance accountability through demand side governance by facilitating the citizen's ability to have greater access to information on SOE debt and borrowing. Increased public scrutiny on public-debt financed investment, including of SOEs, could contribute to responsible borrowing and Government accountability in overall fiscal management.

D. Project Description

¹ Report No. 132010-GH.



7. **The proposed operation supports the Government’s overall response to the COVID-19 crisis. The Government of Ghana is acting swiftly in response to the COVID-19 crisis to mitigate its impact on health and the economy.** The Government response includes three main elements: *First*, measures to strengthen the health sector, and aiming to flatten the curve of new infections. *Second*, measures to support affected households and MSMEs through the Coronavirus Alleviation Program (CAP) to help society cope with the crisis. *Third*, monetary and fiscal policy measures aimed at easing the financial impact of the crisis on businesses and households. *In Prior Actions under Pillar 1*, the proposed operation supports the timely provision of COVID-19-related health services, free access to COVID-19-related diagnosis and treatments as well as financial and in-kind support to households and individuals to mitigate the impact of crisis-related shocks through extraordinary LEAP payments as well as food. *Under Pillar 2, Prior Actions* support measures to enhance liquidity of Micro, Small, and Medium-Sized Enterprises (MSMEs) through the CAP’s emergency MSME fund; and enhance critical regulatory reforms – the Corporate Insolvency Act and the Borrowers and Lenders Bill – to ready the business environment for the post-crisis recovery. *In Pillar 3*, the operation supports the improvement of debt reporting related to energy SOEs for which the Government provided guarantees that came due in 2019 and credit risk assessments of SOEs and statutory bodies.

E. Implementation

Institutional and Implementation Arrangements

8. **The MoF will have overall responsibility for the implementation, monitoring, and evaluation of the proposed emergency operation.** For Pillar 1, the MoF will rely on the MoF and the MoGCSP to implement actions related to strengthening the crisis framework for health and social protection. For Pillar 2, the MoF will rely on the NBSSI to manage the SME emergency fund through commercial banks. Overall, to minimize the transaction cost on the Government, the World Bank’s supervision will be aligned with the Government’s monitoring and evaluation framework of the CPESDP, focusing on the year-long verification process that monitors the implementation of the policies and institutional reforms being supported. The World Bank will also utilize the ongoing and planned projects that support each of the three pillars in this proposed operation to maintain a tight technical dialogue and monitor progress in the DPF-supported activities related to those projects.

9. **During the period of implementation of the program supported by the proposed operation, a series of reports from the Government as well as donors will be relied on to monitor progress.** Such reports will include, but not be limited to: (a) Detailed monthly report from the MoH regarding the implementation of the EPRP for the COVID-19 Outbreak, including data on the number of cases and tests done; (b) Quarterly reports from the MoGCSP regarding payments under the LEAP; (c) MoF detailed monthly reports on budget developments (revenues, expenditures, and financing as posted on the MoF’s website) with a lag of no more than six weeks after the end of each month; (d) MDAs’ and NDPC annual progress reports; (e) Controller and Accountant General Department’s regular and ad hoc progress reports; (f) the IMF’s staff reports as well as Article IV reports; (g) the PFM reform program updates and PEFA assessment reviews; (h) The 2020 mid-year budget review with a detailed list of reprogrammed spending items to create additional fiscal space for the COVID-19 response; and (i) other official documents, as available (memoranda, gazette, and so on), as a means of verification of policy decisions or institutional changes.

F. Poverty and Social Impacts, and Environmental, Forests, and Other Natural Resource Aspects

Poverty and Social Impacts

10. **There is likely to be a significant poverty and social impact of the crisis, and the proposed operation is expected**



to help mitigate the some of the impact on the poor and vulnerable. The COVID-19 crisis is likely to have long-lasting economic and social impacts given the direct and indirect effects of the illness and the preventive behaviors of people, which are reinforced by Government policies such as social distancing. These impacts are expected to be especially severe for poor and vulnerable households. Thus, *Prior Actions under Pillar 1*, will have significant direct positive poverty and social impact in that they reinforce Ghana's crisis response framework to manage the outbreak; they provide the necessary health and emergency services based on a policy of free access to COVID-19 diagnostic and treatment services will help curb the spread of the outbreak, and lower the transmission among the most vulnerable. Furthermore, actions aimed at protecting the most vulnerable segments of the population, will have direct positive effects on wellbeing, in terms of both monetary and non-monetary indicators. At the same time, actions that help economic recovery in *Prior Actions under Pillar 2*, are expected to have a modest direct effect, including through liquidity support to MSMEs, which will help protect jobs and livelihoods, especially of those at the bottom of the income distribution. *Prior Actions under Pillar 3* are expected to have a modest indirect poverty and social impact effects through improvements in fiscal and debt management.

Environmental, Forests, and Other Natural Resource Aspects

11. **Actions supported by the proposed operation are not likely to have and significant direct negative environmental consequences.** However, possible indirect environmental impacts from the implementation of the COVID-19 Emergency Preparedness and Response Plan, under *Pillar 1*, are twofold. First, occupational health and safety issues related to testing and handling of health supplies and the possibility that they are not safely used by laboratory technicians and medical crews; and second, medical waste management and community health and safety issues related to the handling, transportation and disposal of healthcare waste. *Prior Action #1* will support the government efforts to adapt to climate change by strengthening disease surveillance systems. The public health sector has been and will continue to be impacted by climate change. Vector and water borne diseases will become more prevalent with warmer temperatures and more frequent and severe precipitation events. This prior action will support the expansion of access to treatment across all regions of the country. In the medium and long-run, treatment centers would be better prepared to identify and treat other infectious diseases that are directly linked to climate change including: malaria, dengue, and water-borne diseases, thereby strengthening the national capacity to adapt to climate change.

G. Risks and Mitigation

12. **The overall risk rating for the operation is assessed to be High using the World Bank's Systematic Operations Risk-Rating Tool (SORT).** The Political and Governance risks are rated high, as are the Macroeconomic risks and those related to the Institutional Capacity for Implementation and Sustainability. Risk relates to Sectoral Strategies and Policies, Technical Design, and Fiduciary are all rated moderate while all other risks are considered to be low. The risk from the COVID-19 crisis is a general and cross-cutting risk that impacts the economy and the general welfare of the population. Notwithstanding the Government's proactivity in responding to the spread on the virus in Ghana, the probability of further spread of the virus in Ghana is high and the adverse impacts on the health sector, the economy and general welfare could be substantial and consequently impact the attainment of the development objectives of this operation. It can detract the Government's attention from some of the important reforms under the proposed operation, including those for the recovery from the crisis. Key mitigating factors to these risks include the support provided by the World Bank through the US\$35million Ghana COVID-19 Emergency Preparedness and Response Project (P173788) to support the Government in case detection, confirmation, contact tracing, recording and reporting of the outbreak to limit the spread of the virus. Support under this proposed operation, as well as the substantial RCF financing from the IMF, will also help to mitigate the health, economic and poverty impacts of COVID-19 and therefore the overall risks associated with the crisis. The residual risks for this operation, even after the various mitigation measures, remains high. The spread



and duration of the COVID-19 crisis both at the national and global levels remain uncertain and hence the extent of both the health and economic impacts.

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APPROVAL

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Approved By

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