

## **"Ghana, the IMF, World Bank and IFC - 50 years of Reliable Partnership"**

**Statement by the IMF Resident Representative**

**September 20, 2007**

The Fund is pleased to be part of this celebratory occasion where we recognize not only the longevity of our partnership with Ghana but its strength as we look forward to the future with optimism. Minister we thank you for inviting us and we applaud your effort.

Ghana is widely regarded as an African success story. Ghana's recent economic and social progress gives hope for a better future, not only for Ghana itself but for many other countries in the region, Ghana's achievements are built around a 50 percent increase in per capita GDP over some 20 years and a marked reduction in poverty, the maturity of its democratic institutions and the lack of any major armed conflict in a part of the region that has too often suffered from such problems.

Ghana's involvement with the Fund has gone through different phases. Ghana introduced the Economic Recovery Program in 1983 and this was underpinned by a reform agenda supported by the Fund and Bank. Notably, since 1983 we witnessed an upward trend in per capita output but this was often interrupted by severe, though temporary setbacks. In the 1990's Ghana was engaged in three back-to-back Fund-supported economic programs. The first three-year program was supported by Enhanced Structural Adjustment Facility (ESAF). It originally covered the period 1995-1998, but was later extended to 1999. The second

program was also supported by an ESAF, which was later transformed into a Poverty Reduction and Growth Facility (PRGF). It covered the period 1999-2002. The third program was supported by a PRGF and was completed in October, 2006.

Generally, in the 1990's the pattern was pre-election fiscal slippages, amplified by shortfalls in external aid resulting in deteriorating economic performance. These setbacks delayed the stabilization process and impacted negatively on growth. However economic recovery came back on track a few years later often with the help of Fund-supported programs. Bank programs and the resumption of donor support. In this period, the missing ingredient was the absence of sustained implementation of the economic reform agenda with frequent policy slippages. Consequently macro stability was not achieved and economic growth was episodic.

Since 2002 we have witnessed a significant change in Ghana's reform effort. Sound macro policies have been maintained resulting in the achievement of macro stability \with all economic fundamentals showing marked improvement. Good economic policies have earned Ghana massive external debt relief and financial support from development partners have increased the interest of investors at home J.11d abroad.

Ghana is entering a new phase in its economic development where it has a historic opportunity to accelerate growth so that within a decade it can reach the MDGs and move to middle income status. The Fund stands ready to support Ghana as it pursues an ambitious development agenda.

A key question is how can Ghana attain a high-growth trajectory without risking its hard won macro stability? Broadly, Ghana's strategy for accelerating growth is fitting; it is centered on scaling up public sector investment, financed by external grants and concessional resources, and for the first time in decades tapping international capital markets. The strategy also incorporates measures to improve conditions for private sector development, invest in human resources, and strengthen governance. Importantly, in addition to infrastructure projects, the growth strategy should put strong emphasis on removing obstacles to growth and improving overall economic efficiency. Crucial to this is improving the efficiency of public sector spending, implementing civil service reform, and sustaining macro-critical reform, such as strengthening public financial management and financial sector reform.

As Ghana moves into this new phase in its development it is well placed to reap the benefits of financial globalization. The government is pursuing an optimal strategy of accessing resources in international markets while building the institutional capacity that is needed. In this regard, the program to deepen debt management and to ensure the efficiency of public investment with "value for money" arrangements is commendable. The Fund is pleased to be part of these efforts in collaboration with the World Bank and other development partners. The Fund's experience with emerging market economies suggest that Fund support can help enhance investor confidence and help with market access. In this regard, the Minister announced in the 2007 Budget presentation Ghana's interest in the Fund's Policy Support Instrument for the signaling effect it has for international financial markets.

The future is bright for Ghana and its people and the Fund stands ready to support and help in this new era in Ghana's development as it moves towards becoming an emerging market economy. Or, as was so eloquently put the Hon. J H Mensah at our 2007 Consultative Group meeting - out of the third division and into the second division of the global community.