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IMF Staff Concludes Discussions on the Combined Seventh and Eighth Reviews of Ghana's Extended Credit Facility Program

- The Ghanaian authorities and the mission concluded discussions, ad referendum, on economic policies to pave the way for consideration by the IMF Executive Board of the 7th and 8th reviews under the ECF-supported arrangement, which would successfully conclude the program.

- Domestic revenue mobilization should remain a key priority to create fiscal space and reduce public debt. The authorities should continue efforts at implementing tax policy measures, especially tax exemptions and tax compliance measures.

- Monetary policy should continue to remain prudent and complement fiscal adjustment efforts to keep inflation expectations anchored.

An International Monetary Fund (IMF) team led by Ms. Annalisa Fedelino visited Accra from February 12–21, 2019 to conduct discussions for the combined 7th and 8th reviews of Ghana's economic reform program supported by an Extended Credit Facility. The mission met with Vice President Mahamudu Bawumia, Finance Minister Ken Ofori-Atta, Bank of Ghana Governor Ernest Addison, other senior officials, as well as representatives of the private sector, civil society, and development partners.

At the end of the mission in Accra, Ms. Fedelino issued the following statement:

"Ghana's recent economic performance has been favorable despite a less supportive external environment for frontier economies. Real GDP grew by 6.7 percent in the first three quarters of 2018. Over the medium term, growth is projected to remain sustained, buttressed by recent oil discoveries. Consumer price inflation, now at 9.0 percent, is well within the band around the inflation target. The overall fiscal deficit reached 3.7 percent of the rebased GDP (excluding financial sector costs), and the primary surplus (overall budget balance excluding interest costs), was in line with program targets. At the same time, the economy experienced some pressures in the second half of 2018, largely emanating from foreign investors rebalancing their portfolios in the context of a stronger dollar, rising US interest rates, and volatility in emerging markets, which led to a decline in external buffers.

“Good progress has been made in implementing the ECF-supported program, which will end on April 3, 2019 as envisaged. Six out of nine end-December 2018 quantitative targets under the program were met and structural reforms are advancing.

“The Ghanaian authorities and the mission reached understandings, ad referendum, on economic policies aimed at safeguarding macroeconomic stability, improving monitoring of fiscal risks, strengthening external buffers, and enhancing the resilience of the financial sector. To this end, it was agreed that tax exemptions will be rationalized, and their management framework strengthened to improve domestic revenue mobilization. The authorities estimate tax exemption costs to be as much as 1.6 percent of GDP in 2018. New financing schemes in the 2019 budget will be solely used to fund budgeted spending. As part of efforts to address fiscal risks from state-owned enterprises, an oversight body will be established to monitor and manage the state’s interests in specified public entities.

“Monetary policy should continue to remain prudent and complement fiscal adjustment efforts to keep underlying inflationary pressures in check and avoid upside surprises.

“The authorities have shown great commitment to financial stability with the resolution of nine banks during the last two years which will help improve medium-term prospects for economic growth. The overall financial system is adequately capitalized and well-positioned to support credit growth and investment going forward. The Bank of Ghana is introducing reform measures to address remaining financial sector weaknesses.

“The authorities and the mission discussed risks to the outlook and vulnerabilities stemming from exposure to external sources of funding and potential policy slippages. To mitigate these risks, the authorities have renewed efforts to strengthen external buffers. They have also enacted legislation that introduces a fiscal rule and have established a fiscal council to underpin fiscal discipline and preserve macroeconomic gains made in the last two years.

“The IMF's Executive Board is expected to consider the combined seventh and eighth ECF reviews by end-March 2019. Completion of these reviews would make available SDR 132.84 million (about US$188 million), bringing total disbursements under the program to about SDR 664.20 million (US$920.58 million).

“The mission wishes to thank the authorities for their warm hospitality and constructive and rich discussions.”