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IMF Executive Board Completes the Last Review of Extended Credit Facility for Ghana

On March 20, 2019, the Executive Board of the International Monetary Fund (IMF) completed the seventh and eight reviews under the Extended Credit Facility (ECF)[1] supported arrangement. This will make available to Ghana the cumulative amount of SDR132.84 million (about US$185.2 million).

Considering the authorities' resolved to tackle difficult reforms, the Executive Board also approved the authorities' request for a waiver of the nonobservance of a few program targets.

Ghana's three-year arrangement was approved on April 3, 2015 (see Press Release No.15/159) for SDR 664.20 million (about US$925.9 million or 180 percent of quota at the time of approval of the arrangement). It was extended for additional year on August 30, 2017 and is to end on April 2, 2019. The arrangement aimed to restore debt sustainability and macroeconomic stability in the country to foster a return to high growth and job creation, while protecting social spending.

Following the Executive Board's discussion, Mr. Tao Zhang, Deputy Managing Director and Acting Chair, issued the following statement:

"The authorities have achieved significant macroeconomic gains over the course of the ECF-supported program, with rising growth, single digit inflation, fiscal consolidation, and banking sector clean-up. Continued macroeconomic adjustment should underpin these improvements, as the 2020 elections approach.

"In a sign of the authorities' commitment to fiscal consolidation, the end-2018 fiscal targets were met. Sustained fiscal discipline is needed to reduce financing needs and anchor debt dynamics. As stronger revenue mobilization is critical, the submission of the tax exemption bill is welcome, but needs to be complemented by efforts to strengthen tax compliance. Fiscal space is needed to support priority programs, while off-budget expenditures should be

[1] The ECF is a lending arrangement that provides sustained program engagement over the medium to long term in case of protracted balance of payments problems.

avoided.
“Progress on structural reforms needs to be intensified. Plans to improve public financial management and supervision of state-owned enterprises (SOEs), the establishment of a fiscal council, and the fiscal rule are welcome. Stronger monitoring of fiscal operations, including for SOEs, will help mitigate fiscal risks.

“Debt management has improved, though reliance on foreign investors has increased Ghana’s exposure to market sentiment and exchange rate risk. Debt collateralization and revenue monetization should be limited to avoid encumbering revenues. Planned infrastructure projects should be transparently managed, be consistent with debt sustainability, and ensure value for money.

“While achieving single-digit inflation is commendable, monetary policy should remain vigilant to guard against upside risks to inflation, also stemming from exchange rate developments. Rebuilding international reserve buffers, including through careful foreign exchange liquidity management, is welcome and critical to support greater resilience to external shocks.

“The authorities deserve praise for strengthening the banking sector and for resolving nine banks. Completing the financial sector clean-up, as planned, will support the provision of adequate and affordable credit to the economy.

“The Fund congratulates the authorities for successfully completing the ECF supported program and stands ready to support Ghana in its quest for economic prosperity.”