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IMF Executive Board Approves US$3 Billion Extended Credit Facility Arrangement for Ghana

May 17, 2023

- The IMF Executive Board approves SDR 2.242 billion (about US$3 billion) 36-month ECF arrangement for Ghana. This decision will enable an immediate disbursement equivalent to SDR 451.4 million (about US$600 million).
- The authorities' economic program, supported by the ECF-arrangement, builds on the government's Post COVID-19 Program for Economic Growth (PC-PEG), which aims to restore macroeconomic stability and debt sustainability and includes wide-ranging reforms to build resilience and lay the foundation for stronger and more inclusive growth.
- Securing timely debt restructuring agreements with external creditors will be essential for the successful implementation of the new ECF arrangement.

Washington, DC: The Executive Board of the International Monetary Fund (IMF) approved a 36-month arrangement under the Extended Credit Facility (ECF) in an amount equivalent to SDR 2.242 billion (around US$3 billion, or 304 percent of quota). The program is based on the government's Post COVID-19 Program for Economic Growth (PC-PEG), which aims to restore macroeconomic stability and debt sustainability and includes wide-ranging reforms to build resilience and lay the foundation for stronger and more inclusive growth.

The Executive Board's decision will enable an immediate disbursement to Ghana equivalent to SDR 451.4 million (about US$600 million).

Large external shocks in recent years have exacerbated Ghana's pre-existing fiscal and debt vulnerabilities, resulting in a loss of international market access, increasingly constrained domestic financing, and reliance on monetary financing of the government. Decreasing international reserves, Cedi depreciation, rising inflation and plummeting domestic investor confidence, eventually triggered an acute crisis. The authorities have taken bold steps to tackle these deep challenges, including by accelerating fiscal adjustment. The government has also launched a comprehensive debt restructuring to address severe financing constraints and the unsustainable public debt. Securing timely debt restructuring agreements with external creditors will be essential for the successful implementation of the new ECF arrangement.

Key policies under the authorities' program include large and frontloaded fiscal consolidation to bring public finances back on a sustainable path, complemented by efforts to protect the vulnerable. The adjustment effort will be supported by ambitious structural reforms in the areas of tax policy, revenue administration, and public financial management, as well as steps to address weaknesses in the energy and cocoa sectors. Appropriately tight monetary and flexible exchange rate policies will help bring inflation back to single digits and rebuild international reserves. The program also has a strong focus on preserving financial stability and encouraging private investment and growth.

The program will help Ghana overcome immediate policy and financing challenges, including through its catalytic effect in mobilizing external financing from development partners and providing a framework for the successful completion of the ongoing debt restructuring.

Following the Executive Board discussion on Ghana, Ms. Kristalina Georgieva, Managing Director, issued the following statement:

"The combination of large external shocks and preexisting fiscal and debt vulnerabilities precipitated a deep economic and financial crisis in Ghana. In response, the authorities have launched a comprehensive reform program, to be supported by the ECF-arrangement. It is focused on restoring macroeconomic stability and debt sustainability as well as implementing wide-ranging reforms to build resilience and lay the foundation for stronger and more inclusive growth. Capacity development and continued support by development partners would be critical for the successful implementation of the authorities' program.

"Fiscal consolidation is a core element of the program. A substantial and front-loaded fiscal adjustment has started with the 2023 budget. Enhanced revenue and streamlined expenditure will be combined with policies to protect vulnerable households and create room for higher social and development spending in the medium term. With a view to fostering lasting fiscal discipline, the authorities are also advancing reforms to enhance domestic revenue mobilization, strengthen public financial management, and tackle the deep challenges in the energy and cocoa sectors. The government has also launched a comprehensive debt restructuring, including both domestic and external debt, to place debt on a sustainable path. Effective collaboration by all parties involved would be critical.

"Preserving financial sector stability is critical for the success of the program. Given the adverse impact of the domestic debt restructuring on balance sheets of financial institutions, the authorities will devise and implement a comprehensive strategy to rapidly rebuild financial institutions' buffers and exit from temporary regulatory forbearance measures.

"Monetary and exchange rate policies under the program will focus on reining in inflation and rebuilding foreign reserve buffers. The Bank of Ghana will continue tightening monetary policy until inflation is on a firmly declining path and will eliminate monetary financing of the budget. The central bank will also enhance exchange rate flexibility and limit foreign exchange interventions to rebuild external buffers.

"An ambitious structural reform agenda is being put in place to reinvigorate private sector-led growth by improving the business environment, governance, and productivity."

Ghana: Selected Economic and Financial Indicators, 2021-27

	2021	2022	2023	2024	2025	2026	2027
	Actual	Est.	Proj.	Proj.	Proj.	Proj.	Proj.
	(annual percentage change, unless otherwise indicated)						
National accounts and prices							

GDP at constant prices	5.4	3.2	1.5	2.8	4.7	5.0	5.0
Non-extractive GDP	8.4	1.9	0.7	2.2	4.4	4.8	5.0
Extractive GDP	-12.1	12.7	6.1	6.4	6.5	5.9	5.0
Real GDP per capita	3.3	1.0	-1.1	0.2	2.1	2.3	2.4
GDP deflator	11.2	29.8	39.9	20.1	10.9	7.6	7.6
Consumer price index (end of period)	12.6	54.1	29.4	15.0	8.0	8.0	8.0
Consumer price index (annual average)	10.0	31.9	44.0	22.2	11.5	8.0	8.0
				(percent of GDP, unless otherwise indicated)			
Central government budget							
Revenue	15.3	15.7	16.8	17.3	17.8	18.7	18.7
Expenditure (commitment basis)	27.4	26.7	24.3	25.3	24.5	23.9	23.3
Overall balance (commitment basis)	-12.1	-11.0	-7.5	-8.0	-6.7	-5.2	-4.6
Primary balance (commitment basis)	-4.8	-3.6	-0.5	0.5	1.5	1.5	1.5
Non-oil primary balance (commitment basis)	-5.7	-5.6	-3.1	-1.7	-0.5	-0.5	-0.5
Public debt (gross)	79.6	88.1	98.1	92.0	90.2	88.4	86.1
Domestic debt	36.2	45.7	40.6	38.7	38.2	37.0	35.6
External debt	43.4	42.4	57.5	53.3	52.0	51.4	50.5
				(annual percentage change, unless otherwise indicated)			
Money and credit							

Credit to the private sector (commercial banks)	11.1	31.8	24.4	17.0	13.0	15.0	15.0
Broad money (M2+)	12.5	32.9	31.8	20.7	15.0	11.0	11.0
Velocity (GDP/M2+, end of period)	3.4	3.4	3.7	3.8	3.8	3.9	3.9
Base money	19.9	57.3	18.9	17.4	12.5	10.6	13.0
Policy rate (in percent, end of period)	14.5	27.0	…	…	…	…	…
							(US$ million, unless otherwise indicated)
External sector							
Current account balance (percent of GDP)	-3.2	-2.1	-2.8	-2.3	-2.4	-3.0	-3.0
BOP financing gap [1]	…	…	4,212	3,301	4,264	3,282	1,743
IMF	…	…	1,200	720	720	360	0
World Bank	…	…	530	420	350	250	0
Residual gap	…	…	2,482	2,161	3,194	2,672	1,743
Gross international reserves (if financing gap is closed, program definition) [2]	5,200	1,441	1,733	3,270	5,524	7,824	9,833
in months of prospective imports of goods and services	2.4	0.7	0.8	1.4	2.2	3.0	3.6
Gross international reserves (BoG definition) [3]	9,695	6,238	…	…	…	…	…
Memorandum items:							
Nominal GDP (millions of GHc)	459,131	615,259	873,138	1,077,423	1,251,506	1,413,822	1,597,076
National Currency per U.S. Dollar (period average)	5.8	8.4	…	…	…	…	…

National Currency per U.S. Dollar (end of period)	6.0	8.6	...	...	...	...	...

Sources: Ghanaian authorities; and Fund staff estimates and projections.

[1] Additional financing needed to gradually bring reserves to at least 3 months of imports by 2026.

[2] Program definition excludes oil funds, encumbered and pledged assets.

[3] BoG definition includes oil funds, encumbered, and pledged assets.

MEDIA RELATIONS

PRESS OFFICER: NICO MOMBRIAL

PHONE: +1 202 623-7100 | **EMAIL:** MEDIA@IMF.ORG

@IMFSpokesperson (https://twitter.com/IMFSpokesperson)