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International Monetary Fund  
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### **IMF Executive Board Completes Second ECF Review for Ghana, and Approves US\$114.6 Million Disbursement**

The Executive Board of the International Monetary Fund (IMF) today completed the second review of Ghana's economic performance under the program supported by an Extended Credit Facility (ECF) arrangement.<sup>1</sup> Completion of the review enables the disbursement of SDR 83.025 million (about US\$114.6 million), bringing total disbursements under the arrangement to SDR 249.075 million (about US\$343.7 million).

In completing the review, the Executive Board also granted a waiver for the nonobservance of the performance criterion regarding non-accumulation of external arrears, based on the corrective measures being taken by the authorities. The Executive Board also approved new program targets for 2016.

Ghana's three-year arrangement for SDR 664.20 million (about US\$918 million or 180 percent of quota) was approved on April 3, 2015 (see Press Release No.15/159). It aims 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 on Ghana, Mr. Min Zhu, Acting Chair and Deputy Managing Director, said:

"Implementation of the ECF-supported program by the Ghanaian authorities continues to be broadly satisfactory, but the economic outlook remains difficult with risks tilted to the downside. It is encouraging that the government's fiscal consolidation efforts are on track and that electricity production capacity is being gradually increased.

"The authorities should resolutely continue their fiscal consolidation efforts. With government debt continuing to increase and financing remaining a challenge, the 2016 budget rightly aims at a stronger consolidation than originally envisaged. In this regard, it is essential that the government sticks firmly to its policy of strict expenditure controls, by maintaining the wage bill within the budget limits, while controlling discretionary spending and protecting priority spending. It is also important to continue to adhere to the domestic arrears clearance plan and avoid incurring new domestic or external arrears. The authorities' commitment to

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<sup>1</sup> 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.

implement corrective measures if fiscal risks materialize is welcomed.

“To ensure that gains from fiscal consolidation will be sustained over the medium term, effective implementation of a wide range of ambitious reforms is needed. These include measures to broaden the tax base and enhance tax compliance, strengthen control of the wage bill, and enhance public financial management. The difficult financial situation of several state-owned enterprises in the utilities sector also calls for strong actions to avoid additional pressures on the budget.

“Against the backdrop of continued large financing needs and tight domestic and external financing conditions, the new medium-term debt management strategy is a welcome step to help reduce near-term financing risks, while balancing domestic and external financing in a way that will not jeopardize debt sustainability. The authorities should complement their strategy by stepping up work to deepen the domestic debt market.

“To help bring inflation down towards its medium-term target, Bank of Ghana (BoG) should stand ready to further tighten monetary policy if inflationary pressures do not recede as expected. The preparation of an amended Bank of Ghana Act and BoG’s commitment to gradually deepen the foreign exchange market will help make the inflation targeting framework more effective.

“Financial sector stability will need to be monitored closely in a context of deteriorating asset quality. The BoG should take immediate steps to increase resilience and address weaknesses in asset classification. Prompt implementation of the new banking laws currently under review by Parliament is also essential to safeguard financial sector stability.”