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The Acting Chair's Summing Up
Ghana—2021 Article IV Consultation
Executive Board Meeting 21/74
July 19, 2021

Executive Directors agreed with the thrust of the staff appraisal. They noted that the pandemic had a severe impact on Ghana's economy, with slower growth, higher food prices, and increased poverty. Directors commended the Ghanaian authorities for their proactive response to the COVID-19 pandemic, which mitigated its economic impact, but contributed to a record fiscal deficit and increased public debt vulnerabilities. While there are encouraging signs of an economic recovery, they noted that it remains uneven across sectors. In this context, Directors stressed the importance of entrenching prudent macroeconomic policies, ensuring debt sustainability, and pressing ahead with structural reforms to deliver a sustainable, inclusive, and green economic recovery.

While noting that risks to Ghana's capacity to repay have increased, Directors concurred that they are still manageable and that Ghana's capacity to repay the Fund remains adequate.

Directors welcomed the fiscal adjustment envisaged in the 2021 budget. They stressed that fiscal consolidation is needed to address debt sustainability and rollover risks, as Ghana continues to be classified at high risk of debt distress. To protect the most vulnerable, considerations could be given to more progressive revenue measures and a faster return to the pre-pandemic level of spending, with a shift towards social, health, and development spending. Directors also encouraged the timely completion of the planned audit of COVID-19 emergency spending and new expenditure arrears.

Directors agreed that the monetary policy stance remains broadly appropriate, while noting that tighter policy would be needed if inflationary pressures materialize. Although gross international reserves are relatively high, Directors stressed the need to guard against erosion of external buffers and remain committed to a flexible exchange rate regime. Directors also encouraged the authorities to limit monetary financing of the deficit.

Directors noted that the financial sector cleanup had made the sector more resilient but stressed that banks' growing holdings of sovereign debt creates risks and crowds out private sector credit. In this regard, they took positive note of ongoing supervisory and regulatory reforms, which are important steps to protect financial stability. Directors also welcomed the improvements in the AML/CFT framework that allowed Ghana to exit the FATF "grey list".

Directors emphasized that the authorities' structural transformation and digitalization agendas are critical to support the recovery. They noted that the structural transformation can be complemented by the ongoing energy sector review, diversification in tourism, and the digital transition, which has the potential to reduce corruption, boost tax revenues, and improve service delivery. Directors supported continued capacity development efforts in these areas.

It is expected that the next Article IV consultation with Ghana will be held on the standard 12-month cycle.