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July 15, 2021

**Joint Statement by Ms. Grant, Ms. Kashima, Mr. Mochtar, Mr. O'Brolchain, Ms. Edwards, Mr. Khurelbaatar, Ms. Kikuchi, and Ms. Yoe on Ghana
(Preliminary)
Executive Board Meeting
July 19, 2021**

We thank staff for their comprehensive reports and Mr. Hosseini and Mr. Osei Yeboah for their insightful Buff statement.

Ghana has been hit hard by the pandemic. Timely and decisive response by the authorities has mitigated the social and economic impact. Nonetheless, at the same time, it has also contributed to a record fiscal deficit and a surge in public debt. Going forward, steadfast implementation of fiscal consolidation while protecting the vulnerable is a key priority for sustainable economic development. We broadly agree with the thrust of the staff appraisal, and we will limit our comments to the following points.

Successful implementation of the COVID-19 vaccination program remains key to sustaining the recovery. In light of constraints in securing vaccine supply through COVAX, we welcome the authorities' proactive approach in procuring additional vaccines from sources beyond COVAX to secure sufficient supply. *Could staff provide an update on the status of the vaccine delivery and whether sufficient vaccine supply has been secured for the population?*

Strong fiscal consolidation, which consists of both expenditure and revenue measures, is essential for ensuring debt sustainability. We welcome the ongoing fiscal consolidation efforts including the adjustment in the 2021 budget and encourage the authorities to further improve domestic revenue mobilization and spending efficiency in order to mitigate solvency and rollover risk. Given the large financing needs and rising debt vulnerabilities, concessional financing from international partners and structural reforms are also important. *In this sense, can staff provide an update on the discussion with the authorities on a possible future UCT program and support from other development partners?* In addition, we

emphasize the importance of fiscal transparency to ensure accountability and proper governance. We welcome the audit of COVID-19 spending and encourage the authorities to accelerate efforts in expanding the coverage of government debt statistics to provide a better understanding of debt vulnerabilities.

We note with concern that poverty increased in the wake of the pandemic. We welcome the authorities plans to scale up support to beneficiary households under the existing Livelihood Empowerment Against Poverty (LEAP) and the supporting measures that will allow graduation from the LEAP. We also support the authorities training and retraining programs targeting the segment of the population who lost their jobs during the pandemic. These actions will help reverse the decline in the standard of living and address unemployment, especially among the youth.

Strengthening the autonomy of the Bank of Ghana (BOG) is crucial. Given that monetary financing could undermine central bank autonomy as well as pose risks to inflation and exchange rate pressures, we welcome the authorities' commitment to enforce the BOG-MOF memorandum on zero financing of the budget. As for the monetary policy stance, we agree with staff on the necessity of closely monitoring the inflation outlook, and of considering a tighter stance if inflation risks materialize. *In this context, we would like to hear staff comment on how to balance the monetary policy stance given the inflation pressure mostly triggered by supply shock i.e. food inflation.* Going forward, as the pandemic subsides, we note that greater exchange rate flexibility is essential in cushioning external shocks and reducing FX borrowing needs. On supervisory and regulatory reforms, we welcome the ongoing progress, in particular the exit from the FATF grey list last month, and emphasize the importance of continuous efforts in these areas.

Structural reforms are necessary to ensure sustainable and inclusive growth. We encourage the authorities to accelerate SOE reforms, particularly in the energy sector. Reforming the energy sector should be an urgent priority in view of the potential fiscal risks. *In this context, could staff provide an update on the progress of the review of the Energy Sector Reform Program supported by the World Bank, which is expected to be completed in July 2021?* Managing risks from other SOEs is also crucial. We note the authorities' disagreement with including Cocobod debt, one of the largest SOEs that is non-financially autonomous, into public debt. As more accurate projections of debt dynamics are essential for appropriate debt management, we encourage staff and the authorities to continue close dialogue on this point. Furthermore, **addressing the risks posed by climate change is vital** given that extreme weather conditions together with deforestation could impact cocoa production and exacerbate the conditions in the electricity sector, which will affect growth prospects and will impact more severely poorer and rural households.

Lastly, we welcome Annex VI, “Capacity Development Strategy”, which is very helpful to further promote strategic integration between surveillance priorities and CD

delivery. An inclusion of the technical assistance from other development partners in the strategy would be also useful.