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FOR
AGENDA

EBS/84/172
Correction 1

CONFIDENTIAL

August 23, 1984

To: Members of the Executive Board

From: The Secretary

Subject: Ghana - Staff Report for the 1984 Article IV Consultation
and Request for Stand-By Arrangement

The following corrections have been made in EBS/84/172 (8/9/84):

Page 5, Table 2, line 3, columns 2, 3, 5, and 6: for "4.2," "5.8," "1.3"
and "..."
read "4.1," "5.4," "2.5"
and "3.2"

line 4, columns 3, 4, 5, and 6: for "5.0," "2.3," "1.4"
and "3.0"
read "4.6," "2.5," "2.2"
and "0.5"

line 5, GDP deflator: added

last line, Income velocity of money: added

Page 39, line 2: for "July __, 1984" read "July 30, 1984"

Page 42, para. 1, line 1: for "July __, 1984" read "July 30, 1984"

para. number 3, line 1: for "this stand-by arrangement"
read "the stand-by arrangement"

line 2: for "1 to 1, provided"
read "1 to 1 until...only, provided"

Corrected pages are attached.

Att: (3)

Table 2. Ghana: Selected Financial Data and Ratios, 1978-84

(Calendar years, except central government finances, which, through 1981, were on fiscal year beginning July)

	1978	1979	1980	1981	1982	1983	1984
<u>National accounts</u>							
GDP real growth (per cent)	8.3	-3.7	1.7	-5.6	-6.4	0.7	5.4
GDP per capita growth (in per cent)	6.1	-6.1	-2.4	-8.1	-9.9
Fixed investment to GDP	5.4	4.1	5.4	3.5	2.5	3.2	...
Domestic saving to GDP	4.0	5.9	4.6	2.5	2.2	0.5	5.0
<u>Prices and wages</u>							
GDP deflator	78.2	39.4	40.9	103.0	24.7
National consumer price index (per cent change	73.3	54.2	50.1	116.5	22.3	122.8	35.0
Real producer price for cocoa (in cedis per ton)	100.0	114.7	128.7	60.3	128.9	97.9	112.9
Real public sector wages (index: 1975 = 100)	34.2	22.2	19.7	20.5	16.7	13.1	15.1
<u>Central government finances (Through mid-1982 the fiscal year was July-June. Beginning 1983 the fiscal year is the calendar year.) 1/</u>							
Overall deficit as a per cent of GDP	7.4	5.2	8.0	5.8	4.4	2.6	2.2
Overall deficit as a per cent of M ₂ at beginning of period	47.0	35.7	68.5	51.2	33.0	33.3	26.7
Overall deficit as a per cent of total expenditure	41.4	38.0	58.9	50.0	43.0	32.5	21.2
<u>Money and credit (percent change; end of period)</u>							
Net domestic assets	87.6	7.2	28.7	58.3	20.1	41.0	28.8
Of which: claims on Government	(61.9)	(9.1)	(33.0)	(63.2)	(3.8)	(23.5)	(8.5)
Money (M ₂)	68.5	15.5	33.8	51.3	23.4	48.8	13.7
Interest rates (at end of period)							
Savings deposits	7.50	7.50	7.50	18.00	8.00	11.00	...
Maximum lending rate	12.50	12.50	12.50	25.00	14.00	19.00	...
Income velocity of money	5.36	5.52	5.70	8.56	7.15	10.28	...

Table 2. Ghana: Selected Financial Data and Ratios, 1978-84 (concluded)

(Calendar years, except central government finances, which, through mid-1981, were on fiscal year beginning July)

	1978	1979	1980	1981	1982	1983	1984
<u>Balance of payments</u>							
Exports (per cent change in SDR value)	-14.1	15.4	2.8	-28.9	-8.8	-25.2	29.7
Imports (per cent change in SDR value)	-13.2	-0.1	12.3	16.0	-34.1	-6.8	44.7
Current account (in millions of SDRs)	-36.8	94.3	21.4	-357.7	-98.5	-244.2	-302.7
Current account to GDP (in per cent)	-0.4	1.2	--	-1.5	-0.3	-2.7	-4.2
Oil imports to total imports (in per cent)	10.1	21.4	31.8	36.3	52.1	27.2	27.6
Export volume (per cent change)	-32.2	-12.4	1.0	-10.0	8.0	-28.0	-4.0
Import volume (per cent change)	-16.2	-10.0	-8.0	-4.0	-35.0	-8.0	40.0
Terms of trade (per cent change)	24.3	-5.2	-5.0	-30.0	-18.0	-4.0	31.0
Nominal effective exchange rate (depreciation -)	-51.1	4.9	5.8	6.3	5.2	-89.0	...
Real effective exchange rate (depreciation -)	-23.5	45.8	32.2	108.3	30.4	-76.5	--
External debt to GDP ^{2/}	8.1	9.1	7.2	3.9	3.8	13.7	...
External debt service to merchandise exports	3.2	6.7	6.6	10.6	14.3	30.1	36.5
External payments arrears (in millions of US\$)							
Outstanding at the end of period	488.9	427.4	342.5	512.2	575.9	439.5	286.6 ^{3/}
Gross international reserves (in millions of SDRs)	224.0	385.0	154.9	171.6	203.0	204.3	243.0 ^{4/}
Equivalent weeks' imports	18.7	32.3	11.54	11.0	19.8	21.0	17.6

Sources: Data and estimates provided by the Ghanaian authorities; staff estimates, projections, and calculations.

^{1/} For the four-year period 1978-81, the fiscal data in this table refers to the year beginning July 1, and 1982 here refers to government operations during the calendar year, which is a spliced estimate. Transactions in 1983 exclude the € 7.42 billion involved in the debt of the Cocoa Marketing Board.

^{2/} Government and government-guaranteed medium- and long-term debt.

^{3/} Outstanding at the end of March 1984.

^{4/} Outstanding at the end of April 1984.

The staff considers that the adjustment program outlined in the attached letter of intent of July 30, 1984, requesting a stand-by arrangement in an amount equivalent to SDR 180.0 million, represents a substantial effort toward tackling Ghana's economic and financial difficulties and achieving a viable balance of payments position in the medium term and merits the financial support of the Fund.

V. Proposed Decisions

In view of the foregoing, the following draft decisions are proposed for adoption by the Executive Board:

(i) 1984 Consultation

1. The Fund takes this decision relating to Ghana's exchange measures subject to Article VIII, Section 2, in concluding the 1984 Article XIV consultation with Ghana and in the light of the 1984 Article IV consultation with Ghana conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).
2. The restrictions on payments and transfers for current international transactions as described in EBS/84/172 and in SM/84/____, are maintained by Ghana in accordance with Article XIV except that the exchange restrictions evidenced by external payments arrears and the restrictions on transfer of balances under the bilateral payments arrangement with Fund members are subject to approval under Article VIII, Section 2. The Fund notes the intention of the authorities to remove these exchange restrictions as soon as possible and grants approval for the retention of the exchange restrictions that are evidenced by external payments arrears scheduled for reduction under the stand-by arrangement for Ghana, until August 31, 1985 or the completion of the 1984 Article IV consultation with Ghana, whichever is the earlier. The Fund urges Ghana to terminate the remaining bilateral payments arrangements with Fund members as soon as possible.

(ii) Stand-By Arrangement

1. Ghana has requested a stand-by arrangement in the amount equivalent to SDR 180.0 million for the period from August __, 1983 to December 31, 1985.
2. The Fund waives the limitation in Article V, Section 3(b)(iii).
3. The Fund approves the stand-by arrangement attached to EBS/84/172.

GHANA: Stand-By Arrangement

Attached hereto is a letter dated July 30, 1984 from the Secretary for Finance and Economic Planning and the Governor of the Bank of Ghana, requesting a stand-by arrangement and setting forth the objectives and policies that the authorities of Ghana intend to pursue for the period of this stand-by arrangement, and understandings of Ghana with the Fund regarding reviews that will be made of the progress in realizing the objectives of the program and of the policies and measures that the authorities of Ghana will pursue for the remaining period of this stand-by arrangement.

To support these objectives, policies and measures, the International Monetary Fund grants this stand-by arrangement in accordance with the following provisions:

1. For the period from August __, 1984 to December 31, 1985, Ghana will have the right to make purchases from the Fund in an amount equivalent to SDR 180.0 million, subject to paragraphs 2, 3, 4, and 5 below, without further review by the Fund.

2. a. Purchases under this arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR 30.0 million until November 14, 1984, the equivalent of SDR 60.0 million until February 14, 1985, the equivalent of SDR 90.0 million until May 14, 1985, the equivalent of SDR 120.0 million until August 14, 1985, and the equivalent of SDR 150 million until November 14, 1985.

b. None of the limits in (a) above shall apply to a purchase under this stand-by arrangement that would not increase the Fund's holdings of Ghana's currency in the credit tranches beyond 25 percent of quota or increase the Fund's holdings of that currency resulting from purchases of borrowed resources beyond 12.5 percent of quota.

3. Purchases under the stand-by arrangement shall be made from ordinary and borrowed resources in the ratio of 1 to 1 until total purchases under the arrangement reach the equivalent of SDR 166,930,252 and thereafter from borrowed resources only, provided that any modification by the Fund of the proportions of ordinary and borrowed resources shall apply to amounts that may be purchased after the date of modification.

4. Ghana will not make purchases under this stand-by arrangement that would increase the Fund's holdings of Ghana's currency in the credit tranches beyond 25 percent of quota or increase the Fund's holdings of that currency resulting from purchases of borrowed resources beyond 12.5 percent of quota: