

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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INTERNATIONAL MONETARY FUND EXECUTIVE BOARD DECISION TAKEN AT THE CONCLUSION OF THE FUND'S CONSULTATION WITH GHANA ON JULY 1, 1974

1. This decision is taken by the Executive Directors in concluding the 1974 consultation with Ghana, pursuant to Article XIV, Section 4 of the Articles of Agreement.
2. There appears to have been little growth in the Ghanaian economy in recent years and there has been a recent sharp rise in prices, particularly of local foodstuffs. While the policy reorientation toward greater self-reliance has met with limited success, the recent increases in producer prices for farmers and proposed improvements in the distribution system promise to create a better foundation for future expansion of output in the agricultural sector.
3. In the 1971/72 and 1972/73 fiscal years, government revenues declined and current expenditures increased sharply, while capital expenditures remained relatively stable. Owing to special circumstances, most of the large budget deficit in 1972/73 was financed by the nonbanking sector. A marked increase in receipts from cocoa duties is expected to reduce the overall deficit in 1973/74, but there is still need to curb the continued rapid rise in current expenditures and to widen the tax base in the light of both the volatility of Ghana's revenues and the breadth of its development objectives.
4. Because of the high level of liquidity in the economy, the demand for credit by the private sector has been moderate in the last two fiscal years. The rate of increase in credit to the Government registered in the second half of 1973, if maintained, can be expected to exacerbate pressures on prices and international reserves.
5. Ghana's balance of payments has shown surpluses in 1972 and 1973 due to a combination of severe import restrictions, favorable world market prices for Ghana's main export commodities and the suspension of certain debt repayments. Despite favorable export prospects, the rising cost of petroleum and other imports will exert pressures on the trade balance.

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6. Since early 1972, Ghana has relied extensively on trade and payments restrictions. In January 1973, an export bonus scheme was introduced with retroactive effect from September 1972, involving a multiple currency practice, to provide some incentives to minor exports. In 1973, the sharp rise in export prices permitted a less restrictive import policy and a start was made on reducing outstanding arrears on current payments. The Fund notes the intention of the authorities to lower further the level of outstanding arrears on current payments. The Fund also notes the recent provisional agreement on settlement of Ghana's medium-term external debt and the intention of the Government to take all appropriate steps to ensure that the discussions with the companies affected by participation are expedited with a view to reaching a satisfactory settlement as soon as practicable. The Fund encourages Ghana to reexamine the continued use of bilateral payments agreements, especially with three Fund members. In the circumstances, the Fund approves the restrictions on payments and transfers for current international transactions arising out of the level of arrears on current payments as described in SM/74/89, as well as the multiple currency practices described therein, until April 30, 1975.