

# THE LIMA DIGEST

MAY 2023 / VOL. 5



## UNRAVELLING GHANA'S JOURNEY WITH THE IMF

### Who is the IMF?

The International Monetary Fund (IMF) was instituted in July 1944 at the United Nations Bretton Woods Conference. The IMF broadly fosters international financial stability by: Policy advice, Financial assistance and Capacity development.

### What are the IMF requirements to warrant financial support or bailout?

- A member nation requesting a financial bail-out ought to file a request to the IMF.
- The country's government and the IMF staff discusses the economic and financial situation and the financing needs of the loan seeking country.
- Before the IMF lends to a nation, the government and the IMF agree on a set of economic policies. Thereafter, a country's commitments to engage in a specific policy action known as "Policy conditionality", forms an integral part of the IMF lending procedures.
- Following that, an agreement is reached on the conditions of the IMF engagements. The policy program underlying an arrangement is presented to the IMF's Executive Board in a "letter of intent" and detailed in a "memorandum of understanding".

Source: International Monetary Fund

### Ghana and the IMF

In 2022, there were several demonstrations and strike actions about rising fuel prices, unemployment, and a lack of basic social amenities which led President Akufo-Addo to turn to the IMF for another bailout, which many people protested against. Ghana's economy has allegedly suffered significant harm as a result of Covid-19 and the Russia-Ukraine war. A \$3 billion aid facility is anticipated for Ghana to deal with its economic woes. This will be Ghana's 17th time turning to the IMF for a bailout.

Let's take a trip down memory lane to recall the events leading up to Ghana's choice to join the IMF as well as the circumstances which led to this decision.

**1966:** Ghana's first bailout with the IMF began in 1966, following the overthrow of then Prime Minister Dr. Kwame Nkrumah by the National Liberation Council. The new government invited the IMF and the World Bank to manage Ghana's economy. The IMF oversaw the privatization of state businesses with the goal of turning them into profitable businesses. This program was known as the standby arrangement.

**1979:** Due to socialist notions such as "operation feed yourself," Lt. Jerry John Rawlings ousted Ghana's then-government led by Ignatius Kutu Acheampong. The government requested a standby agreement from the IMF to address the country's economic issues and to lower inflation.

**1983,1984,1987:** During this time, Ghana had severe food scarcity and hunger crisis, which led prices to skyrocket. This caused J. J. Rawlings, then head of the PNDC, to seek IMF assistance in 1983 under the Structural Adjustment Program (SAP), which replaced the state's control over the economy with a market-oriented one.

## UPCOMING DEADLINES

VALUE ADDED TAX, APRIL - GRA	31 <sup>ST</sup> MAY 2023
PAY AS YOU EARN (PAYE) MAY- GRA	15 <sup>TH</sup> JUNE 2023
WITHHOLDING TAX, MAY - GRA	15 <sup>TH</sup> JUNE 2023
ANNUAL INCOME TAX RETURNS (EXTENSION) GRA	30 <sup>TH</sup> JUNE 2023
ANNUAL RETURNS (EXTENSION) - ORC	30 <sup>TH</sup> JUNE 2023

### OTHER AVAILABLE DOCUMENTS



THE LIMA DIGEST, VOL 4



2023 BUDGET REVIEW



2022 FIFA WORLD CUP, THE MONEY MATTERS

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**1995,1999,2003:** Ghana received IMF assistance in 1995 and 1999 during the establishment of the fourth Republic, which was led by democratically elected President J.J Rawlings. Ghana decided to be involved in the IMF's Poverty Reduction and Growth Facility (PRGF) program, which intended to reduce poverty.

During this time, major financial institutions such as the IMF and the World Bank launched a debt cancellation drive to assist Heavily Indebted Poor Countries (HIPC) in entering into debt reduction programs.

President John Agyekum Kuffour persuaded the government to join the HIPC debt reduction program in 2003, which lowered the country's debt at the time. The IMF directed Ghana to invest funds in healthcare and education rather than debt repayment.

**2009:** Ghana's economy, which is heavily reliant on commodity exports was severely impacted by the global financial crisis that began in 2008. Ghana was dealing with rising inflation, a significant budget imbalance, rapidly increasing national debt. In response to these issues, Ghana signed onto a three-year Extended Credit Facility (ECF) agreement with the IMF to assist the country's economic reform program.

**2015:** The Ghanaian economy was impacted by external causes such as the decline in global commodity prices, particularly for Ghana's main export goods like gold and oil. As a result, there was a fall in export income and this caused a strain on balance of payments. This, in addition to electricity power outages popularly known as "dumsor" resulted in Ghana's return to the IMF. Ghana received a \$918 million loan under the extended credit facility to finance reform activities.

Ghana's relationship with the IMF has generally been complicated, with both achievements and difficulties along the road. It is too soon to tell whether the current agreement will be able to stabilize the country's economy.

**2022:** In July 2022, an IMF delegation met with government to begin discussions for an IMF-backed program for Ghana. A staff-level agreement for a new Extended Credit Facility arrangement, whereby Ghana will receive a \$3 billion loan, was reached between the IMF and the Ghanaian government on December 12, 2022.

The Ministry of Finance indicated on May 15, 2023, that the first tranche of the \$3 billion loan (\$600 million) will be delivered immediately after the Executive Board of the IMF approves Ghana's reform program on Wednesday, May 17, 2023. The funds will be utilized to sustain the country's balance of payments and budget.

Ghana's relationship with the IMF has generally been complicated, with both achievements and difficulties along the road. The government is hopeful that the current agreement will be able to stabilize the country's economy.



## SNAPSHOT OF THE ECONOMY OF GHANA

INFLATION (as at as 30th April) **41.2%**

MONETARY POLICY RATE (27th March, 2023) **29.5%**

GHANA REFERENCE RATE (1st May, 2023) **26.45%**

## EXCHANGE RATE AS AT 15TH MAY, 2023

	BUYING	SELLING
BANK OF GHANA	10.95	10.97
ABSA BANK	10.50	11.80
ZENITH BANK	10.80	11.92
STANBIC BANK	10.40	11.80
CAL BANK	10.90	12.21
GCB BANK	10.85	11.85
PRUDENTIAL BANK	10.30	12.00

## QUOTES

**"Foreign Assistance is not an end in itself. The purpose of aid must be to create the conditions where it's no longer needed."**

Barack Obama:

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### ACCOUNTING AND CONSULTING DEPARTMENT

We offer the following accounting and consulting services;

- Providing day-to-day bookkeeping and accounting services;
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- Review and analysis of financial statements;

- Preparation of management accounts, budgets, financial models, etc.;
- Payroll services;
- Assistance with accounting system set up (chart of accounts, finance and accounting procedures manuals, software installation and configuration, etc.);
- Due diligence;
- Mergers and acquisitions;
- Internal audit and investigations;
- Preparation of business plans, policies and procedures manuals, etc.;
- Recruitment and Selection of Human Resource.

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