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Ghana's Economic Policies Within the Geopolitical Context and the Corona Crisis

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The Executive Board of the International Monetary Fund (IMF), after several stages of negotiations has finally approved a 36-month arrangement under the Extended Credit Facility (ECF) in an amount equivalent to SDR 2.242 billion (around $3 billion, or 304 percent of quota) for the Republic of Ghana.

While this Credit Facility Arrangement for Ghana is presumably necessary for the country's economic recovery, it is also necessary to examine the governance system adopted in the country. In recent years, Ghana has found itself in a condition of economic crisis – brought about by excessive borrowing – and a resulting need for debt restructuring. As the government seeks to navigate this difficult situation by returning to the IMF, it is important to outline economic restructuring including structural governance.

As we all know that life after COVID-19 will never be the same, several reports monitored indicated that the COVID-19 which began in 2019 combined with the current Russia-Ukraine crisis have had devastating effects across the world. African countries are hit the hardest. Many west African states like Ghana, located on the Atlantic coast and a member of the regional organization Economic Community of West African States (ECOWAS), are equally facing serious similar economic challenges.

But analyzing the implications of Ghana soliciting the assistance from the IMF, the country is on the brink of entering a period characterized by market stability and diminished uncertainties, following the International Monetary Fund's (IMF) approval of the $3 billion deal.

Many experts have blamed political, economic and energy crisis which spiral negative sentiments and discontent on mismanagement. For example, a renowned American Professor of Economics Steve Hanke has chastised Finance Minister Ken Ofori-Atta for mismanaging the Ghanaian economy.

Professor Hanke who is a hard critic of Ghanaian authorities in a tweet was surprised about Ofori-Atta's position that he's disappointed that foreign lenders have been slow to act in supporting Ghana's quest to get a programme from the International Monetary Fund.

> "As 33 African countries suffer from record debt burden, Ghana's Finance Minister, Ken Ofori-Atta is disappointed that foreign lenders had been 'slow to act' but instead of recognising mismanagement, he is blaming creditors for Ghana's debt burden," Professor Hanke concluded.

As an experienced economist who has been teaching courses in economics or related subjects, I would like to suggest that Ghana takes advantage of the current economic challenges to reset interest rates to accelerate private sector growth and quicken the recovery of the economy. In this case, the private sector to lead the economic recovery process post the domestic debt exchange programme. It has further identified the opportunities in the current economic crisis which they can leverage to spur private sector growth.

The next step supports the private sector and their performances as the engine and driver for long-term growth, despite the turbulent economic situation particularly in the country and in the west African region and generally across the world.

Overall, the most critical steps now are improving the quality of governance in Ghana and that would require the government to address issues such as weak institutions, lack of accountability and ineffective public services. This would involve measures such as increasing transparency in government operations, strengthening institutions such as the judiciary, and improving public service delivery.

But one more significant question, as I have already pointed out, is to ensure good governance and confidence-building in the public institutions. It could be a positive indication that the economy needs to bounce back, and attract foreign investment in the areas of public-private collaboration.

Quite apart from that, it is an additional advantage that Ghana hosts the headquarters of the African Continental Free Trade Area (AfCFTA), described as a unique and valuable platform for businesses to access an integrated African market. This could be the strongest dimension to build intra-trade and cooperation with neighbors in West Africa.

With economic growth and sustainability concerns, it is highly suggested that Ghana reviews its imports, attempt to focus more on import substitution policies and the areas it has natural comparative advantages. It refers to the implementation of policies and measures that aim to address a country's food security and self-sufficiency. It helps to cut import expenditure and redirect finances to supporting domestic food production. It reduces budget deficits and addresses financial imbalances leading to the improvement of economic sustainability.

One way to achieve this is through the implementation of policies and measures that reduce government spending and wastes. This could involve a combination of measures such as rationalizing government programmes, reducing subsidies and cutting non-essential expenditures. The goal is to create a leaner, more efficient government that is better able to manage its finances. This could involve strengthening budgetary controls, improving public financial management systems, and enhancing the transparency and accountability of government finances. By doing so, Ghana can ensure that public funds are used efficiently and effectively – and that the country's fiscal position is sustainable over the long-term.

As the IMF reported, the authorities' economic programme, supported by the ECF-arrangement, builds on the government's Post COVID-19 Programme for Economic Growth (PC-PEG), which aims to restore macroeconomic stability and debt sustainability and includes wide-ranging reforms to build resilience and lay the foundation for stronger and more inclusive growth.

Securing timely debt restructuring agreements with external creditors will be essential for the successful implementation of the new Extended Credit Facility (ECF) arrangement. The Executive Board's decision will enable an immediate disbursement to Ghana equivalent to SDR 451.4 million (about $600 million). The authorities have taken bold steps to tackle these deep challenges, including by accelerating fiscal adjustment, revenue administration and public financial management, as well as steps to address weaknesses in the energy and cocoa sectors.

However, it is focused on restoring macroeconomic stability and debt sustainability as well as implementing wide-ranging reforms to build resilience and lay the foundation for stronger and more inclusive growth. Ms. Kristalina Georgieva, Managing Director, explicitly said in her message that "An ambitious structural reform agenda is being put in place to reinvigorate private sector-led growth by improving the business environment, governance, and productivity."

Ghana has an economic plan known as the "Ghana Vision 2020". This plan envisions as the first to become a developed African country between 2020 and 2029 and a newly industrialized country between 2030 and 2039. In 2019, it was the seventh largest producer of gold in the world. It is a leading producer and exporter of cocoa to Europe. The Republic of Ghana with a population of over 32 million is located on the coast of West Africa.

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