# FROM STABILIZATION TO SUSTAINABLE GROWTH: NAVIGATING GHANA'S POST-IMF REVIEW LANDSCAPE

## POLICY BRIEF

## 1. Introduction

The IMF Executive Board's completion of the Fifth Review of Ghana's 36-month Extended Credit Facility (ECF) in May 2023 marked a critical inflection point, triggering a tranche disbursement of US$385 million. This brought cumulative IMF disbursements under the program to approximately US$2.8 billion. These disbursements have contributed to the restoration of macroeconomic stability, with growth outperforming projections, inflation moderating, and external reserves strengthening. Nevertheless, this stabilization represents a foundation for recovery rather than an end point.

This brief argues that the primary policy imperative must shift from meeting quantitative performance criteria to entrenching structural reforms and building resilience to ensure the sustainability of this recovery beyond the program's conclusion in 2025. Strategic focus must be placed on revenue mobilization, private sector-led growth, and prudent debt management to avert a future cycle of crises.

### 1.0 Context: The Journey Through the ECF Reviews

Ghana's $3 billion ECF (program size), approved in May 2023, was a necessary response to severe fiscal and external imbalances, unsustainable debt, and eroded investor confidence. The successful completion of five successive reviews demonstrates strong program ownership and technical implementation by the government.

1. **First & Second Reviews (2023):** Focused on initial fiscal consolidation, including passage of key revenue measures (e.g., VAT, Excise Acts), initiating the debt restructuring process (Domestic Debt Exchange Program, DDEP), and establishing a credible monetary policy stance.
2. **Third & Fourth Reviews (2024):** Deepened structural reforms. Critical milestones included completing the domestic debt restructuring, advancing official creditor (OCC) and private external creditor negotiations under the G20 Common Framework, and implementing reforms in energy, cocoa, and financial sector stability.
3. **Fifth Review (May 2025):** Confirmed the entrenchment of stability. All quantitative targets were met, with growth outperforming, inflation within the BoG's target band (6-10%), and reserves accumulating ahead of schedule. This signals the transition from crisis management to recovery consolidation.

## 2.0 Assessment of Current Outcomes

**The IMF's report on the fifth review highlights tangible successes:**

**1. Growth & Exports:** Robust performance in services and agriculture underscores the economy's inherent resilience. Stronger gold and cocoa export earnings have improved the current account and supported the cedi's appreciation.

**2. Inflation & Reserves:** Disinflation has been faster than anticipated, allowing for a cautious shift in monetary policy. The surpassing of reserve accumulation targets provides a critical buffer against external shocks.

**3. Debt Trajectory:** The combination of fiscal discipline, restructuring (domestic completion, ongoing external), and higher nominal GDP growth has placed public debt on a declining path, a crucial marker of restored sustainability.

**4. Key Risk:** The recovery remains vulnerable. It is buoyed by stringent IMF-backed policies, a favourable but volatile external export environment, and the temporal breathing space from debt restructuring. Underlying structural weaknesses persist.

## 3.0 Critical Challenges & Forthcoming Tests

**1. Post-Program Fiscal Sustainability:** The expiry of the ECF in late 2025 will remove a key anchor for fiscal discipline. The heavy reliance on new revenue measures must transition to broad-based, efficient tax administration** (GRA reforms) and reduced inefficient expenditures (e.g., energy sector SOEs, elevated election-year spending pressures).

**2. Completion of External Debt Restructuring:** Finalizing agreements with private bondholders and bilateral creditors is paramount to restoring full market access and eliminating the cloud of uncertainty over the economy.

**3. Building Growth on a Broader Base:** Growth must evolve from consumption and export-volume-driven to private investment-led. This requires tackling long-standing bottlenecks: access to credit, unreliable energy, and regulatory hurdles.

**4. Financial Sector Stability:** The full impact of the DDEP on bank capitalization and lending capacity remains a concern. Ensuring a well-capitalized banking sector is essential for transmitting monetary policy and funding growth.

**5. Election-Year Policy Diligence (2024/25):** The political cycle poses the most significant near-term risk to reform momentum. History shows a tendency for fiscal slippage in election years, which could quickly unravel the gains achieved.

## 4.0 Policy Recommendations

**To lock in the gains and transition to self-sustaining, inclusive growth, the Government of Ghana, with support from all stakeholders, must:**

**1. Lock in a Post-2025 Fiscal Framework:** Parliament should enact a Fiscal Restraint Responsibility Act with clear, legally binding deficit and debt rules to replace the IMF's external anchor. This may be complemented by an independent fiscal council for

**2. Deepen Structural Revenue Mobilization:** Embark on tax reforms that move beyond tax hikes to digitalize and modernize the GRA, aggressively expand the tax net, eliminate regressive exemptions, and formalize the large informal sector through incentives and digital payment systems. Such reforms can potentially raise revenue, promote equity, and reduce economic disincentives.

**3. Catalyze Private Investment for Economic Transformation:** Develop and implement a Ghana Compact—a clear public-private partnership framework targeting strategic sectors (agro-processing, light manufacturing, tech-enabled services). The government must create a business environment that enables the private sector to produce more value-added exports, thereby competing effectively in the global market. This should include resolving legacy energy sector debts to ensure reliable and affordable power, an adequate supply chain system, and the elimination of middleman operations in some government agencies. (In addition, the government is not getting its utmost share of the gold and cocoa production because of the smuggling of these key products for higher prices in neighbouring countries. Measures such as higher real wages and enhanced producer prices for agricultural items and gold must be initiated by the government to foster social acceptability and lessen the impact on those who benefited from the previous inflated exchange rate and underground market.

**4. Establish a Sovereign Wealth Fund (Stabilization & Future Fund):** A portion of windfall earnings from high-priced exports (gold, cocoa) should be sequestered in a stabilization fund to enhance infrastructure, promote social development, and reduce poverty and inequality. Such efforts would improve access to education, healthcare and reduce poverty, which are key factors of human capital development.

**5. Strengthen Monetary Policy Credibility & Financial Resilience:** The Bank of Ghana must operate independently and maintain its focus on price stability (through low & stable inflation) while working with the financial sector regulator to ensure banks are adequately capitalized. A clear strategy for rebuilding the BoG's own capital must be communicated.

## 5.0 Conclusion

The successful fifth review is a testament to Ghana's capacity for rigorous economic management under duress. The nation now stands at a crossroads. The path of least resistance—reverting to old fiscal habits post-IMF—leads inevitably to a repeat of the recent crisis. The path of resilience requires using the remaining program period to institutionalize reforms, legislate discipline, and strategically invest in a more diversified, private sector-driven economy. The think tank community, civil society, and development partners must collectively advocate for and monitor this critical transition from stabilization to sustainable and inclusive growth.



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