

GHANA-IMF FIFTH REVIEW: CENTRAL BANK POLICY LOSSES AND PROGRAM EXTENSION - AN INDEPENDENT ASSESSMENT

POLICY BRIEF

Executive Summary

The fifth review of Ghana's Extended Credit Facility (ECF) program with the International Monetary Fund (IMF) has generated significant public debate around two interrelated issues: the treatment of policy-related losses associated with gold-based operations undertaken by the Bank of Ghana (BoG) in collaboration with the Ghana Gold Board (GoldBod), and the circumstances surrounding the extension of the IMF program. This policy brief provides an independent assessment of these issues and their implications for macroeconomic credibility, central bank governance, and program ownership.

On the first issue, the BoG and the Government of Ghana maintain that reported losses from gold-related operations are either premature or reflect accounting and valuation treatments rather than operational inefficiencies. The IMF, however, classifies these losses as quasi-fiscal costs absorbed by the central bank, raising concerns about the BoG's financial strength, transparency, and potential need for recapitalization. An independent evaluation recognizes the validity of policy-oriented interventions by central banks, yet emphasizes that these motivations do not override the necessity for transparent loss acknowledgment, defined institutional accountability, and fiscal responsibility. The key concern is not the existence of losses, but their implicit retention on the central bank's balance sheet, which risks blurring monetary-fiscal boundaries and undermining BoG's independence and credibility.

Regarding the program extension, evidence from the fifth review indicates that the IMF proposed a short extension to allow adequate time for completing outstanding reforms. While such IMF-initiated extensions are common and technically justified, they may be misinterpreted domestically as signaling weak program ownership. Clearer communication by the authorities is therefore essential.

Overall, the review underscores institutional challenges related to transparency, central bank independence, and policy communication rather than a failure of the adjustment program itself. Addressing these concerns through clearer disclosure, formalization of quasi-fiscal activities, and strengthened governance frameworks will be critical to sustaining confidence in Ghana's IMF-supported recovery.





1. Background

The International Monetary Fund (IMF) has completed the fifth review of Ghana's Extended Credit Facility (ECF) program. Two issues have dominated public and policy debate:

a. The treatment of policy-related losses reportedly absorbed by the Bank of Ghana (BoG) arising from gold-related operations linked to the Ghana Gold Board (GoldBod)/Gold-for-Reserves framework.

b. The question of whether the extension of the IMF program was requested by Ghana or initiated by the IMF.

This brief provides an independent assessment of these issues and their implications for macroeconomic credibility, central bank governance, and program ownership.

2. Issue I: BoG Absorption and Reporting of Gold-Related Policy Losses

Positions of the Authorities

- **Bank of Ghana:**

The BoG has argued that public claims of losses are premature and speculative, pending final audited accounts. It maintains that the gold program is a strategic policy intervention aimed at reserve accumulation, exchange rate stability, and balance-of-payments support, rather than a purely commercial operation.

- **Government of Ghana / GoldBod:**

Government-affiliated statements emphasize that GoldBod itself is not loss-making, and that any reported losses arise from accounting and valuation treatments on the BoG's balance sheet rather than operational inefficiencies or fiscal leakages.

IMF Perspective

- The IMF staff report treats the losses as quasi-fiscal or policy-induced costs that have been absorbed by the central bank, raising concerns about BoG's financial strength, transparency, and future recapitalization needs.

Independent Assessment

From an independent policy standpoint:

- The BoG's argument that the program is policy-driven rather than commercial is valid. Central banks routinely undertake non-profit-maximizing operations in pursuit of macroeconomic stability.
- However, policy motivation does not negate the need for transparent loss recognition. When policy operations generate persistent financial costs, international best practice requires:



- a) Clear classification as quasi-fiscal activities,
- b) Explicit disclosure and parliamentary oversight, and
- c) A medium-term plan for fiscal backstopping or recapitalization, if needed.

- Allowing such losses to remain implicitly on the central bank's balance sheet risks blurring monetary and fiscal boundaries, potentially undermining central bank independence and credibility.
- The Government of Ghana/GoldBod may justify the losses attributed to accounting and valuation practices. However, the main point of contention lies with the Bank of Ghana and how these losses are documented.

3. Issue II: Who Requested the Program Extension?

Facts from the Fifth Review

- The IMF proposed a short extension of the program to allow sufficient time to complete outstanding reforms and the final review.
- Public documentation does not indicate that Ghana formally initiated the request.

Independent Assessment:

- IMF-initiated extensions are not unusual and typically reflect implementation realism rather than program failure.
- However, in politically sensitive environments, such extensions may be perceived domestically as a loss of program control, even when technically justified.

Independent View:

The extension should be viewed as a technical modification of sequencing and timelines, rather than a decline in program effectiveness. That said, Ghanaian authorities could improve public communication by:

- Clearly reaffirming program ownership, and
- Publishing a time-bound reform completion roadmap linked to the extension.

4. Policy Implications

• Central Bank Governance: Independence and Risk Exposure

Persistent policy losses without explicit fiscal recognition could weaken BoG's balance sheet and complicate future monetary policy operations. Also, the current situation communicates a lack of independence of the central bank, which can be dangerous if the independence of the Bank is not protected



- **Program Credibility:**

Transparency gaps—rather than the losses themselves—pose the greater risk to IMF program credibility and market confidence.

- **Public Trust:**

Conflicting narratives between institutions create uncertainty and politicization of technically complex macroeconomic issues.

Mandate that the Central Bank and the GoldBod include specific details in their financial statements.

5. Recommendations

- **Formalize Quasi-Fiscal Operations**

Gold-related policy interventions should be explicitly classified, costed, and disclosed as quasi-fiscal activities, with a clear fiscal backstop.

The government should establish dedicated oversight teams within the Ministry of Finance to evaluate Goldbod's financial strategies and assess the associated fiscal risks.

It is essential to include all quasi-fiscal activities in the overall budget, as failing to report significant quasi-fiscal actions could result in a lower and misleading representation of government expenditures.

There is a need for a higher Audit Institution that has the power to examine the quasi-fiscal activities of the Central Bank and the Goldbod during their standard assessments.

- **Strengthen Disclosure**

BoG should publish a detailed technical note explaining valuation methods, risk-sharing arrangements, and the macroeconomic rationale of gold operations.

- **Clarify Program Ownership**

The government should actively convey that the extension of the program is a collaboratively agreed-upon technical modification that strengthens its commitment to reform.

- **Safeguard Central Bank Independence**

Future financial policy initiatives with fiscal implications must be established within a transparent framework that has the endorsement of the Ministry of Finance and Parliament. These initiatives should be communicated by the Ministry of Finance rather than the Central Bank. As a result, the loss in consideration is financial in nature and should be included in the fiscal reports of financial institutions.

The Central Bank should report on any nonmonetary policy activities that it conducts on behalf of the government.





6.0 Conclusion

The fifth IMF review highlights not a breakdown of Ghana's adjustment program, but institutional tensions concerning transparency, independence, accountability, and communication of government institutions. Tackling these challenges effectively will enhance macroeconomic oversight, safeguard the credibility and independence of the central bank, and bolster the sustainability of Ghana's recovery within the IMF-supported framework.

About CERPA

The Centre for Economic Research and Policy Analysis (CERPA) is a think tank dedicated to providing independent, data-driven economic research and policy recommendations to foster sustainable economic growth in Ghana and beyond.

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