GHANA'S STABILIZATION MEASURES AND THE IMF
A CASE STUDY

By

Bank of Ghana

INTRODUCTION

A number of developing countries, particularly in Africa, have at one time or another been faced with the problems of persistent balance of payments deficits and high rates of inflation. In most cases these problems have been caused by excessive monetary expansion arising largely out of huge budget deficits financed mainly by the banking system, notably the Central Bank. In their attempts to solve these problems many of these developing countries have adopted stabilization programmes, usually with the support of the International Monetary Fund (IMF).

A stabilization programme, as rightly defined by KHAN and KNIGHT, is «...a package of policies designed to eliminate disequilibrium between aggregate demand and supply in the economy, which typically manifests itself in balance of payments deficits and rising prices»*. The main objectives of a stabilization programme are therefore to reduce a country's inflation rate and improve its external payments position.

The Fund's support for a country's stabilization programme is usually in the form of a Stand-by Arrangement, which is a line of credit permitting a member country to draw funds made available by the Fund up to a stated amount during a given period, subject to the observance of performance criteria and other conditions under the arrangement.

Since the early 1960s, Ghana's economy has been plagued by high inflation rates, rapid depreciation of her currency and persistent balance of payments deficits. Successive governments have over the years introduced various measures aimed at solving these economic problems. These measures included stabilization programmes drawn up under the aegis of the IMF during the years 1966–1969, 1978–1979 and 1983 to date to deal with the difficulties that confronted Ghana's economy. This paper analyses the general economic conditions prevailing before each programme, outlines the package of measures taken and evaluates the measures. The paper then concludes by highlighting the lessons to be learnt from Ghana's experience.

THE 1966–69 STABILIZATION PROGRAMME

THE ECONOMIC BACKGROUND

Ghana's economy in early 1966 was characterised by growing budget deficits, high rates of inflation, declining industrial production and dwindling foreign exchange reserves. The over-zealousness of the NKRUMAH regime to industrialise and the consequent unrestrained investments in extensive social infrastructure and in projects which turned out to be

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* *Moshin S. KHAN and Malcolm D. KNIGHT: Stabilization Programmes in Developing Countries – A formal framework. IMF Staff Papers, Vol. 28., No. I, March 1981.*

non-viable, coupled with low revenue outturn, resulted in increasing budget deficits. These deficits were financed largely by the banking system, particularly the Central Bank. The resultant monetary expansion, in the face of supply shortages, gave rise to severe inflationary pressures. In 1965, for instance, the rate of inflation was estimated at 24.9%.

In the agricultural sector, production of cocoa, Ghana's main foreign exchange earning commodity, increased by 35.6% from 422,000 tons in the 1963/64 crop year to 572,000 tons in the 1964/65 crop year, but declined by 28.3% to 410,000 tons in the 1965/66 crop year. However, the country could not derive much benefit from the overall increased output as the world market price of cocoa fell. For example, the world spot price of Ghana cocoa fell from a high of £ 239 per ton in 1963 to £ 215 per ton in 1964 and to £ 192 per ton in 1965, a fall of 19.7% between 1963 and 1965.

Industrial production was also not favourable. Owing to foreign exchange constraints, industries were constantly short of imported raw materials. Production in the mining sector declined. Gold production was down to 6.5 and 12.7% in 1964 and 1965 respectively, while diamond production fell by 14.8% in 1965 after remaining almost constant in the previous year.

Developments in the external sector adversely affected the country's foreign exchange reserves. The massive imports of capital goods for the industrial projects, let alone the high prices of these imports, drained the country's reserves and left in their wake a huge external debt. Ghana's total external debt stood at $ 3.3 billion at the end of 1965, while her foreign exchange reserves dwindled from a surplus of $ 61.9 million in 1963 to a surplus of $ 44.1 million in 1964 and then to a deficit of $ 3.1 million in 1965. All these posed serious balance of payments problems.

Faced with such a precarious economic and financial situation, the new military government, which replaced the NKRUMAH regime in February 1966, lost no time in taking remedial measures to salvage the depressed economy. The government's economic strategy was to pursue a stabilization policy, in support of which it concluded with the IMF four successive one-year Stand-by Arrangements for a total amount of US $ 76.9 million as detailed below:

Table I

(in millions of US Dollars)

Date of Stand-by Arrangement	Amount	Drawn
1966	34.9	34.9
1967	25.0	25.0
1968	12.0	12.0
1969	5.0	3.0
	76.9	74.9

In addition, Ghana made a drawing of $ 17.25 million in December 1966 under the Compensatory Financing Facility.

The principal objectives of the Stabilization Programme were:

(a) to reduce the rate of monetary expansion stemming largely from budget deficits;
(b) to achieve a substantial reduction in the rate of inflation;
(c) to stimulate the external sector of the economy and improve the balance of payments position;
(d) to correct price distortions, and
(e) to stimulate economic growth.

PACKAGE OF MEASURES

The objectives mentioned above were to be achieved mainly through measures which were broadly in line with the IMF «Conditionality», including a restrictive monetary and credit policy, a prudent fiscal policy, relief from the heavy burden of external debt servicing and an adjustment of the exchange rate to a realistic level.

Monetary and credit policy was directed at limiting credit expansion to a level consistent with economic stability. To this end, ceilings were set on Bank of Ghana's net credit to government and on credit by the banking system to public institutions and the private sector, except credit to finance cocoa exports which varies seasonally with the size of the crop, and was therefore considered a self-liquidating item.

Fiscal policy was aimed at reducing government reliance on the banking system, particularly the central bank, for financing budget deficits by ensuring that expenditures were limited to amounts that could be matched by revenues from internal and external sources. In line with this aim, work on some non-priority projects was stopped and the 7-year Development Plan initiated in 1964 was abandoned. State enterprises were reorganised with the technical assistance of the United Nations Development Programme in order to improve their efficiency and thereby discontinue their dependence on government subventions.

Considerable progress was also made in the liberalization of trade and payments. For instance, the category of imports placed under Open General Licence (i.e. imports without restrictions) was extended appreciably, while progress was made in the reduction of arrears of current external payments. Reliance on bilateral trade and payments agreements was substantially reduced.

To stimulate domestic production and exports and restrain imports, particularly of consumer goods, the exchange rate was adjusted in July 1967 from ₵ 1.00 = US $ 1.40 to ₵ 1.00 = US $ 0.98, representing a devaluation of 30 %. As an incentive to increased cocoa production and in order to reduce the high level of smuggling of cocoa beans to neighbouring countries, the producer price of cocoa was raised in July 1967 from ₵186.7 per ton to ₵ 242.7 per ton and again to ₵ 261.3 per ton in July 1968.

In order to reduce the burden of debt servicing on the balance of payments, the contraction of medium-term loans (suppliers' credits) was suspended, although long-term concessional loans could be contracted.

Furthermore, the government with the assistance of the IMF twice successfully negotiated with major creditors the rescheduling of a substantial part of medium-term external debt obligations falling due in the period 1966–1972. The rescheduling arrangements were agreed to in December 1966 and October 1968 at meetings held in London. The IMF was represented at both meetings. Efforts were also made by the government to seek external financial assistance through Donors' Meetings held in Paris in 1967, 1968 and 1969.

To cut down on foreign exchange expenditure, the number of Ghana's Diplomatic Missions abroad was reduced.

EVALUATION OF GHANA'S PERFORMANCE

As table I above shows, Ghana was able to make sizeable drawings under the Stand-by Arrangements, indicating the extent to which the country met the performance criteria. Net credit to government and credit to the private sector and commercial banks always remained below the ceiling during the period of the arrangement. Apart from June 1966, total commercial bank credit was also below the set ceiling (see Appendix I).

Money supply increased slightly in 1966, stabilized in 1967 but resumed growth in 1968 and increased by 12.9 % during 1969. The monetary expansion in 1969 was due to an increase in credit to the private sector which rose by 37.6 % from ₵ 66.5 million in December 1968 to ₵ 91.5 million in the same month of 1969.

Although the government was committed to liberalizing trade and exchange controls, the shortage of foreign exchange made this a long-term objective. In the interim, some changes were made in the administration and allocation of import licences. More goods, including spare parts and pharmaceuticals, were placed on Open General Licence, and therefore did not require the formal issue of licences by the Ministry of Trade. Ghana also reduced considerably its trade under bilateral payments arrangements and in fact terminated some of these arrangements. No new bilateral trade agreements were signed during the stabilization period.

The country performed creditably with respect to the performance criteria of the Stand-by Arrangements, and the economy's response to the Stabilization measures was fairly significant. The GDP in real terms increased from ₵ 1113 million in 1965 to ₵ 1190 million in 1969, an increase of 6.8 % over the four-year period. The growth rate of the GDP was 1.8 % in 1967 and 1.4 % in 1968.

The performance in the external sector was, however, mixed. The impact of the devaluation of the cedi in mid-1967 was felt mainly in the timber industry where an increased volume of exports was recorded. Exports of the other major commodities – cocoa and minerals – fell, due to some factors.

Production in the mining industry declined because of inadequate supply of spare parts, use of obsolete machinery and poor management. Thus gold exports which totalled 762,000 fine ounces in 1967 fell to 713,000 fine ounces in 1969.

The volume of cocoa production also fell, due to shortages of insecticides and spare parts for spraying machines in 1966 and heavy rains and floods in the latter part of 1968. Exports of the crop fell steadily from 392,000 tons in 1966 to 303,000 tons in 1969.

Despite these declines, total export receipts increased during the period of the Stand-by Arrangement due mainly to increases in the world price of cocoa, particularly in 1968 and 1969. The average New York price of Ghana cocoa was US $ 1,020 per ton in 1969 compared with US $ 770 per ton in 1968.

On the whole, the country's balance of payments position improved significantly. Surpluses were recorded in the balance of visible trade in 1968 and 1969, while the current account deficit decreased from ₵ 230 million in 1965 to ₵ 87 million in 1967 and to ₵ 55 million in 1969.

The general level of prices of local food items followed a downward trend in the period, especially in 1967 and 1969 due to improved supply of foodstuffs. The improvement in the supply situation was a direct result of the increased efforts at increasing agricultural output through agricultural extension services, use of high-yielding varieties of seeds, fertilizers and insecticides and construction of feeder roads. Indeed, this improvement in the food situation contributed to the fall in the rate of inflation to 13 % in 1966 and 8 % in both 1968 and 1969 as compared with 24.9 % in 1965.

THE 1978–79 STABILIZATION PROGRAMME

THE ECONOMIC BACKGROUND

In spite of a number of economic measures which had been taken from the mid-1966 through 1977 to put the economy on an even keel, by 1978, the overall economic and financial situation in Ghana had deteriorated significantly. Between 1969 and 1971, the BUSIA regime took some measures to liberalise and improve the economy. Among the measures was the devaluation of the cedi (local currency) in December 1971 to restore the external balance. However, before the full impact of the exchange rate adjustment could be felt, there was a change of government in January 1972.

The ACHEAMPONG government which replaced the BUSIA government reversed some of the policy measures adopted by its predecessors. For example, the cedi was revalued though not to its former level and trade and exchange controls were intensified. Although there was some initial improvement in the agricultural sector due to a widely publicised campaign to encourage self-sufficiency in food production, the state of the economy as a whole deteriorated. First, there was an upsurge in the market prices of goods and services. This was the result of a substantial decline in agricultural and industrial output and increasing liquidity. While the fall in agricultural output was due to poor harvests resulting from persistent bad weather, the fall in industrial production was due to the lack of imported inputs for manufacturing industries. The excess liquidity reflected a high level of budgetary deficits and the increased reliance on the banking system, particularly the central bank, to finance these deficits. Secondly, the reversal of the 1971 devaluation and the strict adherence to a fixed exchange rate left the country with an overvalued cedi which discouraged exports. Another major contributory factor was the phenomenal increase in the price of crude oil in 1973 and thereafter which affected the balance of payments adversely.

To resuscitate the sagging economy, the Government of Ghana decided to adopt a short-term comprehensive stabilization programme and made a request to the IMF, as was the case in 1966, for a balance of payments support in the form of one year Stand-by Arrangement for an amount equivalent to SDR 53 million. The objectives of the stabilization programme were similar to those under the previous stabilization programme, namely to reduce the injection of new liquidity springing from budget deficits, strengthen the balance of payments, reduce the high rate of inflation, invigorate the external sector and correct price distortions.

PACKAGE OF MEASURES

The measures taken to achieve the objectives were diverse, but were in line with the usual IMF conditionality.

First, the extent to which the government could depend on the banking system to finance its budget deficits, one of the main sources of inflation, was constrained by ceilings set on net credit to government. Ceilings were also set on credit to public and private institutions.

Secondly, the government was required to ease restrictions on payments or transfers for current international transactions, while at the same time making efforts to abolish three multiple exchange rate practices, namely, the export bonus scheme introduced in 1969, the import deposit requirements and the tax on foreign exchange for travel abroad. The government was also required to reduce the external payments arrears to within prescribed levels. In addition, the government was to adhere strictly to its imports programme and restrict the issue of import licences to an amount consistent with anticipated foreign exchange receipts. The extent to which Ghana could contract new external loans was also limited.

Another major policy measure related to the exchange rate was that the government had earlier in June 19, 1978 experimented with a flexible exchange rate system under which the exchange rate of the cedi against the U.S. dollar, originally pegged at ₵ 1.15 to US $ 1.00 fluctuated to reflect the underlying economic, financial and balance of payments situation. By end of August the same year, the exchange rate stood at ₵ 2.75 to US $ 1.00, showing a devaluation of 58.2 % compared to the rate in early June. The government's policy was to keep the exchange rate under constant review and to make further changes in the light of Ghana's economic standing and the relationship between the cedi and other major currencies.

Ghana drew the first tranche of SDR 32 million (US $ 41.3 million) in February 1979. The country was, however, unable to make further drawings since the whole programme was disrupted by political events in June 1979.

EVALUATION OF GHANA's PROGRAMME

This stabilization programme was operated for only a few months before it was aborted following political events in June 1979. It is thus difficult to evaluate properly the impact that the programme made on the economy. The indications, as discussed below, were that Ghana would have been unable to adhere to the set performance criteria.

Indeed, right from November 1978, the permissible ceiling on credit to the government was consistently exceeded. At the end of March 1979, the net domestic assets of the banking system totalled ₵ 5,823 million, showing an excess of ₵ 1,131 million over and above the ceiling. The increase was largely due to credit to government, which was not expected to increase more by than ₵ 380 million but which actually increased by ₵ 672 million to ₵ 4,597 million at the end of March 1979.

Although substantial transfers in respect of profits and dividends were made, settlements of arrears of current imports and service payments could not be effected. Thus the net position of the short-term external payments arrears increased by $ 29.98 million to $ 456.39 million at the end of March 1979, far exceeding the allowable level of $ 427.0 million.

Ghana did not contract any new external medium-term loans during the period, neither did she introduce any new restrictive measures on foreign exchange transfers. Also, no new bilateral payments agreements with Fund member countries were signed. However, the export bonus scheme was not abolished and there was no review of the tax on foreign exchange for travel abroad or on import deposit margins.

Broadly speaking, the performance of the economy during the few months that the programme was in operation was not altogether satisfactory. The government's continued recourse to the banking system to finance its budget deficits resulted in a consistently high rate of inflation. In fact, the high inflation rate of 71.1 % recorded in November 1978 rose further to 78.8 % in May 1979.

However, the overall balance of payments which had recorded deficits for the greater part of the 1970s registered a surplus of US $ 125.7 million in the wake of the stabilization programme in 1979, and gross foreign exchange reserves increased from US $ 280.5 million in 1978 to US $ 293.0 million in 1979.

THE 1983 ECONOMIC RECOVERY PROGRAMME

THE ECONOMIC BACKGROUND

At the beginning of 1983 the Ghanaian economy was still characterised by declining real GDP, a high rate of inflation, a critical shortage of foreign exchange and a difficult balance of payments situation. The reasons for this poor performance of the economy could be traced to the maintenance of a fixed and highly overvalued exchange rate that discouraged exports, large budgetary deficits which aggravated the inflationary pressures and the imposition of price controls at the manufacturing level which discouraged production, while giving excessive or windfall profits to the unregulated small-scale trading sector. There were also exogeneous factors such as adverse weather conditions and natural disasters like bush fires which affected agricultural output, the sharp increases in the price of crude oil, the global recession that led to sluggish demand for primary products and the unanticipated return of about one million Ghanaians from Nigeria.

In a nutshell, in the past decade or so, real GDP growth has been about 2 % per annum; real export earnings have declined 52 % and exports have fallen from 21 % to 4 % of GDP; the petroleum imports bill has risen to about half of total export earnings and government revenues have been covering on the average only 35 % of total expenditures.

The overall balance of payments registered a surplus of US $ 125.7 million in 1979 after a series of deficits during most of the 1970s. The surplus declined to US $ 82 million in 1980, but in 1981 a large deficit of US $ 263 million was incurred. In 1982 the overall balance of payments registered a modest surplus of US $ 56 million. However, payments arrears increased further by US $ 64 million to US $ 576 million at the same time. Ghana's gross foreign exchange reserves amounted to US $ 224.0 million at the end of 1982, equivalent to five months of 1982 imports. As at December 31, 1982, the external debt amounted to $ 1.4 billion.

PACKAGE OF MEASURES

In an effort to rehabilitate the economy and attract external assistance, the government in April 1983 announced a package of economic reform measures and agreed on a short-term stabilization programme with the IMF. The government's Economic Recovery Programme which was launched in April 1983 is in three phases, each phase covering a period of one year, as follows:

(a) a stabilization phase,
(b) a rehabilitation phase, and
(c) a liberalization and growth phase.

These phases should be considered complementary rather than separate segments of the programme. The main thrust of the stabilization phase is to stimulate aggregate domestic supply by realigning relative prices in favour of production and export sectors, reduce the government budget deficit and thereby the underlying inflation pressures. In the rehabilitation phase emphasis will be placed on improved capacity utilization of existing capital assets. This phase aims at rehabilitating the roads, railways and ports, and providing essential raw materials and imported inputs to the productive sectors, particularly the export sector. In the liberalization and growth phase, the economy will be liberalized by way of relaxing the present strict regime of trade and payments control, reducing the extent and coverage of domestic price controls, introducing competition to public sector monopolies and removing other rigidities, barriers and distortions in the economy.

In support of the government's adjustment efforts covering the stabilization phase of the Economic Recovery Programme, a one-year Stand-by Arrangement for SDR 238.5 million was approved by the Executive Board of the IMF on August 3, 1983. Further support was received from the IMF in the form of a Compensatory Financing Facility amounting to SDR 120.5 million. The programme included a reform of the exchange rate system, a review of the interest rate structure, a substantial increase in the cocoa producer price for the 1983/84 crop, a phased removal of the subsidy on petroleum products, a control of prices on domestically produced food items and a more flexible policy in setting prices of other essential items as well as increases in wages and salaries. Under the programme fiscal policy has been aimed at reducing the overall budget deficits. Credit and monetary policies have been directed toward channelling the allowable increase in credit mainly to the private sector and the commercial public sector enterprises, while reducing considerably the rate of monetary expansion during the programme period. The balance of payments objective has also been geared to increasing imports necessary to support the economic recovery and to reducing external payments arrears.

To give effect to the foregoing objectives and targets, the government on April 21, 1983 introduced, as a transitional measure, a multiple exchange rate system which imposed surcharges on foreign exchange payments and bonuses on foreign exchange receipts and which effectively resulted in two effective exchange rates, namely ₵ 23.375 = US $ 1.00 and ₵ 29.975 = US $ 1.00. This implied a weighted average exchange rate of ₵ 25.00 = US $ 1.00, compared with the rate of ₵ 2.75 = US $ 1.00, which had remained fixed since mid-1978.

As already alluded to, the rationale behind the new measure was to promote exports, dampen the demand for imports and reduce price distortions.

On October 10, 1983 the two effective exchange rates arising from the system of bonuses and surcharges were unified, resulting in an exchange rate of ₵ 30.00 = US $ 1.00, implying a devaluation of 91 %. In fact, the current rate of exchange is ₵ 35.00 = US $ 1.00. The exchange rate is to be adjusted periodically in order to maintain its real purchasing power in terms of the currencies of Ghana's major trading partners.

To give incentives to cocoa farmers to increase output, the cocoa producer price was increased by 67 % to ₵ 20,000 per ton on May1, 1983 for the 1983/84 crop year (October 1983 – September 1984). The producer price will be adjusted annually to ensure that the prices in real terms are not eroded.

In line with its undertaking to review interest rates, the government through Bank of Ghana made a substantial adjustment in the structure of interest rates.

Furthermore, to phase out subsidies on petroleum products, there have been increases in the retail prices of petroleum products.

Wages and salaries were increased by about 60 % in the civil service and by about 25 % in the public sector enterprises and the private sector mainly to keep up morale following an increase of more than 100% in the cost of living in 1983.

EVALUATION OF GHANA'S PERFORMANCE

The Stand-by Arrangement ends on June 30, 1984. It is, therefore, premature to assess the country's economic performance vis-a-vis the current arrangement. The evaluation is made on the basis of Ghana's performance with respect to the set performance criteria and economic indicators during the period ended March 31, 1984.

With regard to budgetary developments, the government followed a cautious fiscal policy during the period under review. Lower import duties reflecting the lower-than-anticipated level of inputs have given rise to shortfalls in government revenue. To compensate for the shortfalls drastic cuts were made in programmed expenditures. The government was therefore able to reduce its reliance on the banking system for deficit financing to levels which were within the ceilings.

As regards monetary and credit developments, total net domestic assets of the banking system and net claims on the Government were kept within the ceilings. On October 10, 1983 all interest rates were raised by 35 to 40 % so as to make the rates less negative in real terms.

Phased reductions in external payment arrears totalling US $ 100 million were to be achieved during the programme period. By the end of March, 1984 the net reduction in external payment arrears amounted to $ 90.5 million as compared to the target of US $ 80.0 million.

With respect to external loans, a ceiling of US $ 400 million was imposed on new commitments with a maturity of 1–12 years, with a sub-ceiling of US $ 250 million on new commitments with a maturity of 1–5 years. Bridging loans were limited to US $ 100 million. During the first 7 months of 1983, external loans, exclusive of oil import credits, totalled US $ 100 million and consisted entirely of concessional loans within the maturity range of 18–40 years. Also, since August 1983, outstanding bridging loans of US $ 110 million have been reduced by 50 % to US $ 55 million.

The foregoing evaluation shows that Ghana's performance under the performance criteria was very encouraging. As at the end of March 1984 all the performance criteria had been met and the country was able to make purchases of all the five equal instalments totalling SDR 238.5 million before the end of the Stand-by period.

Despite the satisfactory performance, however, the recovery of the economy was below expectation. The prolonged drought dealt a severe blow to food and export crops including cocoa. Industrial production registered a marginal increase because of the slow inflow of imported inputs. The drought also reduced hydro-electric power output with consequent cuts in power available for both domestic and industrial use.

The new exchange rates affected imports as importers were unable to raise the required local currency to acquire the foreign exchange. This tended to affect adversely both the supply situation and government revenue. Timber exports showed some improvement with the exchange rate adjustment despite the late arrival of imported inputs. The financial position of the Ghana Cocoa Board also improved, and this enabled the Board to pay export cocoa duty to the Government which it had never been able to do for over 3 years.

Although the recovery of the economy was slower than expected owing mainly to exogeneous factors, the Ghanaian Authorities are strongly committed to the recovery programme. Indeed, the success of the Economic Recovery Programme depends on sound economic policies as well as on international assistance. It is a hopeful sign that the Programme has been generally well received by individual governments, international bodies and private organizations and that there has been some inflow of foreign capital to support the adjustment efforts.

For instance, in July 1983 Ghana was given a quick disbursing Reconstruction Import Credit to US $ 40.00 million by the International Development Association, an affiliate of the World Bank, for the importation of needed inputs for the agricultural and road transport sectors.

Also, at the Donors' Meeting held in Paris in November 1983, financial pledges were made by a number of developed countries and international bodies in support of the Economic Recovery Programme.

CONCLUSION

The foregoing shows that three attempts have been made so far by Ghana to stabilize the economy, in each case with the support of the IMF by way of Stand-by Arrangements.

Undoubtedly, the Stabilization Programme of 1966–69 improved the economic conditions in the country significantly: real GDP registered substantial growth during the stabilization period; the rate of inflation was reduced significantly and there was improvement in the balance of payments position.

The 1978–79 Stabilization Programme was still in its take off stage when it had to be abandoned because of political events in the country. Therefore, its impact on the economy cannot be properly assessed.

The current Economic Recovery Programme is still only a year old. The indications are that the performance criteria will be met, but that it will take some time for the impact of the economic measures so far taken to be felt on the economy.

Ghana without doubt could have achieved better results under the Stabilization Programmes of 1966–69 and 1978–79 but for the following factors:

– First, as is commonly the case with developing countries, the adjustment effort was unduly delayed until the economy was virtually on the brink of collapse. Indeed, instead of quick and effective economic measures with long-term perspective, the governments rather preferred short-term ad hoc measures like trade and price controls, exchange restrictions and multiple exchange rates.

– Secondly, a major set-back was the fact that the IMF's financial support was invariably inadequate in relation to the magnitude of the needed finance. The need to reduce the external payments burden, the insufficient export receipts, the liberalization effort and the generally poor state of the economy called for the injection of larger amounts of finance than could be provided by the IMF. Fortunately, the current Economic Recovery Programme recognises this fact, and the Government has therefore made a number of successful approaches to other international institutions such as the World Bank, the African Development Fund and donor countries for additional financial support.

– Thirdly, the need for political stability is very crucial. The 1978–1979 programme could not be successfully implemented mainly because of political events.

SUGGESTIONS

1. There is a need for careful and effective monotoring of IMF – supported stabilization programmes to ensure that the understandings reached with the Fund are adhered to. But the other major reason

for the monitoring is to evaluate continuously the effects that the stabilization measures are having on the economy. Those found to be having adverse effects should be immediately reviewed.

2. The delays in implementing or even in adopting stabilization programmes should be avoided. Long delays tend to do greater harm to the economy, calling for more stringent and more painful measures later. This again underscores the usefulness of constant appraisal of the developments in the country's economy.
3. Countries implementing Stabilization Programmes should not depend solely on the IMF for financial support. Other international institutions should be approached. Where possible, debts should be rescheduled in order to lessen the burden of debt servicing.
4. There is the need for political stability to ensure that each Stabilization Programme is carried out to the end and also to engender international confidence in the economy, thereby facilitating the inflow of private capital to support the programme.

APPENDIX I

Ghana: Bank Credit in Relation to Stand-by Ceilings
(Excluding Cocoa Financing)

₵ Million

End of period Figures	Bank of Ghana Credit to		Total Commercial
	Government	Private Sector & Commercial Banks	Bank Credit
1966			
Ceiling	(124.2)	(11.1)	(166.7)
June	118.8	7.1	172.5
Ceiling	(133.3)	(11.1)	(179.2)
December	103.5	6.4	167.9
1967			
Ceiling	(145.0)	(10.0)	(185.0)
June	103.1	5.8	183.9
December	138.2	5.8	168.9
1968			
Ceiling	(128.0)	(13.0)	(no ceiling)
June	113.2	7.2	
December	127.8	6.1	
1969			
Ceiling	(150.0)	(15.0)	
June	120.2	5.8	
December	133.2	4.6	

RESUME

Depuis le début des années 60, l'économie du Ghana a été continuellement confrontée aux problèmes de taux d'inflation élevé, d'une dépréciation rapide de sa monnaie ainsi que de déficits permanents de sa balance des paiements. Les différents gouvernements qui se sont succédés au pouvoir ont tour à tour appliqué des mesures destinées à résoudre les problèmes économiques. Ces mesures comprenaient des programmes de stabilisation mis en place par le FMI au cours des années 1966–1969, 1978–1979, et depuis 1983. Dans cet article, l'auteur après avoir dressé un tableau des conditions économiques qui prévalaient avant l'application de ces différents programmes, présente et évalue les différentes mesures «empaquetées» puis, en conclusion, tire les leçons d'une telle expérience.

La période 1966–1969 était, selon l'auteur, caractérisée par une situation économique et financière précaire. D'une manière générale l'économie souffrait de déficits budgétaires croissants, de très forts taux d'inflation, d'une production industrielle décroissante ainsi que des réserves de devises qui diminuaient. La situation agricole n'était pas bonne non plus avec une production qui a baissé de 28,3 % en 1965–1966. L'industrie connaissait aussi les mêmes problèmes de même que le secteur des relations extérieures. Face à cette situation, le régime militaire qui s'empara du pouvoir en Février 1966 prit un train de mesures en accord avec le FMI pour sauver l'économie qui était au bord de la faillite. Ces mesures concernaient essentiellement la limitation des crédits, la diminution du rôle de la Banque Centrale dans le financement des déficits budgétaires, la libéralisation du commerce et des paiements, le réajustement du taux de change, la suppression des prêts à moyens termes et la diminution des missions diplomatiques du Ghana. Il résulta de ces mesures une amélioration sensible des conditions économiques du pays notamment une hausse du PIB, une réduction du taux d'inflation ainsi qu'une nette amélioration de la balance des paiements.

Malgré toutes ces mesures prises en 1966–1969, la situation économique et financière globale du Ghana se détériora à nouveau en 1978–1979. Une seconde intervention du FMI eut lieu toujours dans les mêmes conditions. La performance de l'économie au cours de cette période ne fut pas très bonne malgré une légère amélioration de la balance des paiements. Cependant, par suite d'évènevements politiques, ce réajustement ne fut pas mené jusqu'au bout. Au début de 1983, le même scénario recommença : baisse du PIB, taux d'inflation élevé, un manque généralisé de devises et une balance des paiements en difficultés ; intervention du FMI comme à l'accoutumée avec les mêmes mesures. Il est encore trop tôt pour mesurer l'impact des mesures sur l'économie. Néanmoins, les signes actuels autorisent à penser que les critères de performances seront atteints. L'auteur termine son article, en faisant quelques suggestions susceptibles de garantir plus de réussite aux programmes de réajustement.