STRUCTURAL ADJUSTMENT AND MACROECONOMIC POLICY: GHANA 1983-1992

1 AN OVERVIEW

Throughout the 1970s and early 1980s the Ghanaian economy was characterized by high inflation rates, low productivity, falling exports and sluggish (and often negative) real GDP growth. Real per capita GDP fell by more than 2 per cent per annum during this period compared to the late 1960s level. By the early 1980s, the economic situation in Ghana had become critical.

The poor performance stemmed from gross price distortions which destroyed incentives for increased domestic production and exports; an overvalued exchange rate which discouraged exports through official channels; growing fiscal deficits, financed principally by borrowing from the central bank leading to rapid money supple expansion which exerted inflationary pressure; the drying up of external aid and accumulation of payment arrears. These problems were aggravated by external shocks such as the oil crises, a persistent downward trend in the terms of trade, and a crippling drought in 1981-1983 which sent the inflation rate to a triple digit level.

In 1983, the country was on the brink of complete economic collapse. In order to arrest this seemingly irreversible erosion of the country's economic and social foundations, the PNDC government introduced radical changes in economic policies in April 1983. Initially, most of the policies under the ERP aimed at macroeconomic stabilization addressing the most serious economic distortions and imbalances. Key elements of the ERP included:

a realignment of relative prices in favour of export sectors especially cocoa, timber and minerals;

b restoration of monetary and fiscal discipline leading to a reduction of the fiscal deficit and reduction of inflation;

c a progressive shift away from direct controls and intervention toward greater reliance on market forces;

d reform of the exchange rate system.

In spite of the substantial progress made in stabilizing the economy, it was realized that the economy faced major structural problems which required institutional and production capacity enhancement over at least a decade. To address these problems and to lay a firm foundation for sustained economic growth, the ERP was followed by the Structural Adjustment Programme (SAP) in 1987. The objective of the Structural Adjustment Programme was to consolidate the gains of the ERP and to undertake institutional reforms to enhance the efficiency of the economy and encourage expansion of private savings and investments.

2 OUT-TURN (1983-92)

The Ghanaian economy recorded a remarkable recovery since the institution of the ERP in 1983. Real GDP growth rates averaged 5 per cent per annum, while inflation fell significantly if somewhat erratically during the period. After an initial fall to 10 per cent in 1985 (with good weather causing food prices to fall) inflation went up to almost 40 per cent in 1990, but declined to 10 per cent in 1992. Real interest rates turned positive and the budget (excluding capital expenditures financed by project loans and grants) recorded surpluses from 1986 to 1991. The balance of payments situation has improved as exports have picked up and external inflows increased, albeit the visible trade deficit has grown sharply primarily because of the collapse of cocoa prices.

By 1986, the fiscal deficit had turned in to a moderate surplus, while money supply growth slowed down to 18 per cent by 1990. Cocoa, a major export crop, benefiting from higher producer prices due to a more realistic exchange rate, recorded a major turn round from an all-time low output of less than 160,000 tonnes in 1983 to 260,000 tonnes in 1988, although negative global price shifts meant 1988 cocoa export earnings were below 1983. Minerals and timber and products also recorded significant increases as a result of the exchange rate reform.

In spite of the impressive performance, the economy faced major setbacks in 1992. After a long period of surpluses, the government budget recorded a large deficit equivalent to almost 5 per cent of GDP instead of a projected surplus. The deficit was largely financed by borrowing from the banking system, resulting in a 5 per cent increase in the Money Supply. Agricultural production declined by 0.6 per cent in 1992 with overall real GDP growth limited to 3.9 per cent compared with a programme target of 5 per cent. On the external front, the current account deficit widened largely on account of shortfalls in cocoa receipts, and a strong import growth resulting from the high monetary growth.

The large monetary, fiscal and external sector imbalances in 1992 were due to a number of factors including bad weather, deteriorating terms of trade, inadequate foreign inflows and preparation for elections during the latter part of the year.

To correct the slippages in policy implementation that occurred in 1992 and return the economy to an adjustment path that is consistent with attaining the dual objectives of balance of payment viability and accelerated growth, the government introduced a corrective macroeconomic programme in 1993. Specific targets included: a real GDP growth rate of about 4.5 per cent; inflation of 20 per cent; and an overall balance of payments surplus of $168 million.

3 FISCAL POLICY AND REFORMS SINCE 1983

The large fiscal deficits recorded during the late 1970s and early 1980s were a result of:

a decline in external trade (the most important source of government revenue from export as well as import duties) due to an overvalued exchange rate;

b rapid nominal wage increases unrelated to productivity;

c ineffective control over public expenditures (albeit at very low total levels relative to GDP);

d lack of financial discipline and accountability.

Because of the poor fiscal performance, the government resorted to the Central Bank to finance its deficits. With declining revenue, government expenditure was cut sharply, services declined and the economic and social infrastructure of Ghana deteriorated. Capital spending, for instance, plummeted from 4.5 per cent of GDP in 1975 to only 0.6 per cent of GDP by 1983 while recurrent was barely over 5 per cent.

The launching of the Economic Recovery Programme (ERP) in 1983 had as one of its major aims, the restoration of fiscal discipline. Ghana's fiscal policy since 1983 has therefore been directed at correcting the fiscal imbalances, reforming the tax system to augment revenue collection and expenditure monitoring systems to have a handle on government expenditure. The fiscal policy under the ERP was implemented in three overlapping stages which focused on: i) controlling the rate of growth of government expenditure; ii) increasing government revenue, and iii) minimizing the size of the deficit on recurrent account, thereby reducing government recourse to the banking system to finance deficits and eventually realizing a surplus on government current transactions.

Initially (1983-84), the government responded to the fiscal deterioration by relying on expenditure cuts and the restoration of the tax base. In the second stage, covering 1985-1986, the objectives of fiscal policy were broadened to include, besides fiscal stabilization, the rehabilitation and expansion of the basic economic and social infrastructure and with greater external inflows expenditure management, not net cuts, became the basic objective.

Finally, in the third stage, beginning in 1987, increased emphasis was placed on further strengthening of economic incentives, particularly for private savings and investment and promoting equity investment.

Expenditure control measures adopted included:

i suspension of development projects considered non-viable;

ii introduction of a mechanized pay voucher system and payment of salaries of civil servants through the banks to eliminate ghost workers on government pay rolls;

iii elimination of government subsides on petroleum products;

iv retrenchment of labour in the public sector.

Measures taken to increase government revenue included:

i the intensification of tax education of the public;

ii widening of the tax net to incorporate as many self-employed people as possible;

iii the restructuring of tax administration to improve collection procedures;

iv reorganization of revenue collection agencies with improved conditions of service to motivate them to discharge their duties efficiently;

v conversion of indirect taxes from specific to *ad valorem*.

The 1984 Budget benefited from the impact of exchange rate adjustments on receipts from cocoa taxes and import duties. The 1985 Budget incorporated a more growth oriented fiscal strategy. Government capital spending was expanded from 1986 in the context of a rolling three-year public investment programme, thus necessitating a stepped-up mobilization of domestic revenue. Exchange rate adjustments in 1985 contributed to higher revenue from taxes on international trade, while the general economic recovery resulted in a higher collection of taxes on domestic goods and services and on corporate incomes.

Since 1987, the focus of fiscal policy has been broadened to encompass enhancing the efficiency and equity of the tax system. The pace of tax reforms was accelerated and more attention was paid to strengthening private sector incentives. Tax administration was also strengthened through efficiency to increase tax compliance among the self-employed and to monitor more closely corporate accounts, while efforts have been made to improve the efficiency of government financial operations.

In the area of direct taxes, corporate tax rates were lowered in 1988 from 55 per cent to 45 per cent for business in manufacturing, farming, and exporting, and from 55 per cent to 50 per cent in 1989 for the remaining firms, other than those in banking, insurance, commerce and printing. The 1991 budget provided for a further reduction to 35 per cent in the corporate tax rate applicable to agriculture, manu facturing, real estate, construction and services. These tax reforms created an environment more conducive to private savings and investment.

The system of indirect taxation has also been reformed in the last several years. In 1987, all excise duties on products other than petroleum, beverages and tobacco were abolished, with the revenue loss compensated for by an increase in the standard general sales tax rate from 10 to 20 per cent and subsequently to 25 per cent. In 1989 this rate was reduced to 22.5 per cent and in the context of the 1991 budget was lowered further to 17.5 per cent.

On the expenditure side, the Government's main objectives have been:

i to raise civil service wages to more competitive levels as well as to widen the differential between the highest and lowest paid civil servants, in order to attract and retain highly skilled staff (with wages and salaries rising from 25 per cent of the total budget in 1983 to 34 per cent in 1992);

ii to channel additional resources to capital expenditure for the rehabilitation of the nation's infrastructure with appropriate allocations for outlays on operations and maintenance, particularly in the priority sector of agriculture, education and health (with the capital budget rising from 12 per cent to 20 per cent of total spending);

iii to ensure that the benefits of economic reforms are broadly shared and that problems of poverty are addressed.

4 APPRAISAL OF OUT-TURNS

4.1 Revenue

Since 1983, substantial increases have been received in revenue attributable to the new measures implemented to improve the tax collection machinery, administration and collection procedures as well as the general improvement in the economy. The revenue as a proportion of GDP increased from 4.1 per cent in 1981, reaching a peak of 12.7 per cent in 1987, before declining to 11.6 per cent in 1990. The composition of tax revenue has changed significantly with individual income and export taxes a significantly smaller share than in 1983, but corporate income tax and indirect taxes on imports and domestic goods a larger proportion.

4.2 Expenditure

Expenditure – except for 1992 – has been kept within budgetary limits. Total government expenditure and net lending rose steadily from 8.2 per cent of GDP in 1983 to 14.4 per cent in 1989, before declining to 14.0 per cent of GDP in 1990. The general increase in spending over time has reflected increased emphasis on developing and rehabilitating the economic and social infrastructure.

There was a significant shift in the composition of expenditure. Current expenditure in total spending declined, as the share of both interest payments and subsidies and transfers fell. Interest payments declined between 1986 and 1988, from 15.5 to 8.0 per cent of total spending, reflecting the shift of the recurrent budget into surplus. In 1990, however, interest payments increased, owing in part to the assumption of responsibility by the Government for foreign interest payments due from certain state-owned enterprises experiencing financial difficulties, and the replacement of the Bank of Ghana's revaluation losses outstanding at the end of 1989 and the cost of open market operations with government bonds.

Subsidies and transfers, which comprised 27 per cent of expenditure in 1983, now account for 10 per cent. Direct subsidies to state-owned enterprises have been virtually eliminated, as part of a general push by the Government to enhance the efficiency and performance of the state enterprise sector. By early 1991, some 40 state enterprises had been divested, while for several major enterprises that are slated to remain in the Government's portfolio, a number of steps have been taken to strengthen their financial position and monitor their performance. These included the preparation of rolling three year corporate plans and the signing of annual performance agreements with the Government. In addition, efforts are under way to liberalize the administrative and institutional environment without which state enterprises operate to improve their autonomy, accountability and profitability.

4.3 Fiscal balance

In 1982, Ghana was running a budgetary deficit of about 6.3 per cent of GDP. This was reduced sharply to 2.7 per cent of GDP in 1983 by expenditure controls. The deficit shifted into a surplus in 1986 which grew to 1.4 per cent of GDP by 1989 before declining to 0.2 per cent of GDP by 1990.

Reductions in the fiscal deficit (including grants as revenue) over time, as well as the availability of concessional foreign financing, have allowed the Government to reduce its recourse to net domestic borrowing and to make, since 1987, large net repayments to the banking system which amounted on average to the equivalent of 1.2 per cent of GDP a year during 1987-90. The reduced demands by the Government on domestic financial resources have allowed a sizeable expansion in real terms of credit to the private sector. In addition, the Government contributed 0.8 per cent of GDP towards the cost of financial sector reform in 1990.

4.4 Monetary policy

The main goal of monetary policy under the ERP (1983-86) was to hold the growth of money supply within reasonable levels. The target was to reduce the rate of growth of money supply from an annual average of 40 per cent between 1975 and 1983 to a range of 10 per cent to 15 per cent by the end of 1986. To achieve this goal, the Bank of Ghana introduced various policy measures relating to interest rates and credit with the aim of encouraging the mobilization of domestic savings and channelling the flow of credit to the productive sectors of the economy.

The thrust of credit policy under the ERP was geared towards reducing government dependence on the banking system. To this end, credit to government was kept under tight control and quantitative performance criteria were set to ensure budget discipline. With respect to the rest of the economy, credit ceilings were initially used to control and direct credit to productive sectors. However, credit ceilings coupled with lack of investment opportunities led to excess liquidity in the banking system and wide margins between lending and borrowing rates as banks attempted to cover their costs and make profits. In order to improve liquidity management and encourage deposit mobilization, the Bank of Ghana embarked on a systematic deregulation of the system from 1987 to January 1992 when ceilings were completely removed.

Interest rate policy was aimed at achieving positive real interest rates to facilitate deposit mobilization and contribute to a reduction in the rate of inflation. Before 1987, interest rates were administratively determined by the Central Bank in line with inflationary pressures. By February 1988 all interest rates were deregulated. Interest rate policy then shifted from administrative control to a market determined system with the Bank of Ghana using the bank rate since November 1990 as a tool of intervention in the money market.

A major objective has also been to put in place a new system of monetary control whereby overall liquidity is managed primarily through control of the net domestic assets by the Bank of Ghana through open-market operations and other market-based instruments, rather than through credit ceilings on individual banks. Another important aspect of improving the functioning of the money market was the introduction of Discount Houses in 1987.

Since July 1990 the Bank of Ghana has implemented several measures to stimulate the banks to mobilize resources. Among such measures were the widening and deepening of the bills market, the introduction of transparency in transactions and a programme of publicity. Other measures are deregulation of bank charges and the payment of interest on commercial banks balances with the Bank of Ghana.

4.5 Banking sector restructuring

Restructuring of Ghana's Banking sector became urgent and necessary when diagnostic studies conducted by international consultants and auditors at the request of Government in 1987 revealed that many banks were financially weak, unprofitable, illiquid, undercapitalized and in a few cases technically bankrupt. The causes of the widespread banking sector distress were attributed to rapid changes in the macroeconomic environment under the Economic Recovery Programme (ERP), past political interference and poor management practices. Efforts to liberalize trade and other economic activities under the ERP coupled with continuous adjustment of the exchange rates to reflect underlying economic conditions exposed many of the bank's corporate customers to foreign exchange risks and made them unable to service their maturing obligations, which in turn increased the non-performing loans of the banks and adversely affected their liquidity and capital adequacy positions.

Since the causes of the banking sector distress were largely due to exogenous factors, the Government's approach to the problem was broad-based, policy-oriented, pragmatic and directed at the financial system as a whole. The Financial Sector Adjustment Programme (FINSAP) initiated in 1988 and supported by the IMF and the World Bank with credit of SDR 72,000,000 and other resources from the Swiss and Japanese Governments had objectives which aimed at improving the financial system as a whole. These objectives were stated as to: 1) enhance the soundness of banking institutions; 2) improve deposit mobilization and increase efficiency in credit allocations; 3) develop efficient money and capital markets, and 4) improve mechanisms for rural finance.

The programme of action designed and implemented in the area of banking sector restructuring included:

1 review and revision of the legal framework and environment for banking;

2 improved supervision and external audit of banks including improving the Bank of Ghana supervisory skills and effectiveness through training to apply internationally accepted audit and accounting standards;

3 restructuring banking institutions, after identifying problems and weaknesses of each bank, through preparing and implementing short-term, turn around restructuring plans.

Implementation was substantially completed at the end of December, 1990. The Bank of Ghana purchased non-performing assets from the banks amounting to C52 billion under the programme. FINSAP bonds issued to the banks total C30.2 billion while the balance of C21.8 billion was offset against obligations owed to Government or Bank of Ghana by the banks. The FINSAP bonds issued were of two categories. State Owned Enterprises (SOEs) non-performing assets were replaced with a series of bonds with five years maximum maturity and an interest rate of 12 per cent per annum. Private sector enterprises (PSEs) non-performing assets with the banks were, however, replaced with bonds with maximum maturity of ten years at 7.4 per cent per annum. FINSAP bonds are negotiable in the secondary market but discountable at the Bank of Ghana only at the discretion of the latter. They do not automatically qualify as secondary reserve assets and may be redeemed prematurely at the discretion of the Bank of Ghana. Other banking restructuring measures included the injection of cash equity into some banks, the conversion of some long-term loans due to Government and Bank of Ghana into equity and the assumption of all foreign credit obligations of the banks incurred before the inception of the ERP. Institutional measures were also implemented to upgrade and improve policies, procedures and systems. Board of Directors and Managing Directors of all distressed banks were changed and the bank's managements strengthened through training arrangements or the attachment of experienced bankers to the banks.

It was recognized that the viability of the banks to a large extent depended on the financial strength and credit-worthiness of their customers. It was therefore considered necessary that the corporate sector be given financial and management support to improve its performance and profitability. A second Financial Sector Restructuring Programme (FINSAP II) has therefore been put in place to address corporate sector distress and to strengthen the operational capabilities and systems of the Bank of Ghana. The Government will also reduce its shareholding in most banks to 40 per cent or less.

4.6 Exchange rate policies

The most far-reaching and controversial of the policy measures adopted under the ERP was the devaluation of the cedi in October 1983. The exchange rate adjustment process was initiated earlier in April 1983 with the introduction of a scheme of surcharges and bonuses. Under this scheme, surcharges were levied on the use of foreign exchange while bonuses were paid on foreign exchange earnings. In effect the scheme gave rise to a multiple exchange rate system under which US$1.00 equalled C23.38 on the lower side and C29.98 on the higher side, with a weighted average of C25.00 - about an 89 per cent devaluation from a previous rate of C2.75.

The operation of this system proved to be cumbersome. In October 1983, therefore, the two rates were unified at US$1.00 = C30.00, implying a further depreciation of 21.5 per cent. Since then the authorities have been pursuing a flexible exchange rate policy with the view to keeping the exchange value of the cedi in line with price developments in Ghana as compared with price developments in the economies of Ghana's principal trading partners.

The flexible exchange rate policy was pursued by periodic announcements of the exchange rate until September 1986 when the weekly foreign exchange auction system was introduced. The exchange rate at that time was C90.00 to $1.00, having risen form C2.75 = $1 in 1983. This system was aimed at determining the weekly exchange rate through the interplay of the forces of demand and supply as against the earlier system where the foreign exchange rate was administratively determined on the basis of economic indicators.

While a flexible exchange rate policy was being pursued through the auction market for foreign exchange, the process of trade and exchange liberalization was continued. The foreign exchange bureaux scheme was introduced in early 1988 as part of the trade and exchange liberalization policy. These two markets, that is the foreign exchange auction and the forex bureaux, were expected to ensure a more efficient allocation of foreign exchange resources. Further, by a process of gradually widening access to auction funds, it was expected that the spread between the exchange rates in the two markets would narrow until the two rates converge at the equilibrium exchange rate. In the first several years the divergences were substantial and erratic but by 1991 they were under 10 per cent. The attainment of this goal would provide the signal for the elimination of virtually all foreign exchange restrictions.

The flexible exchange rate policy pursued as part of the measures under the ERP continued into 1992. In this regard an interbank foreign exchange market in its rudimentary form was introduced in April 1990. In the market, authorized dealer banks were permitted by the Bank of Ghana to trade in foreign exchange among themselves provided the foreign exchange traded in was not subject to surrender requirements.

The interbank market was then supported by a weekly wholesale foreign exchange auction at the Bank of Ghana. In March 1992, the wholesale auction was abolished and a fully-fledged interbank market introduced. The introduction of the interbank market was aimed at:

i continuing the liberalization of the exchange, trade and payments system;

ii allowing for the continuous interplay of the forces of demand and supply in the determination of exchange rates;

iii furthering the unification of exchange rates in the foreign exchange markets;

iv allowing for the free movement of foreign exchange from surplus to deficit units and,

v allowing for the Bank of Ghana to assume and better perform the role of interventionist in the foreign exchange market.

In order to ensure the financial deepening of the market for the achievement of the desired objectives, the Bank of Ghana, in July 1991 modified the surrender requirements for export receipts. Under the modified arrangements, the surrender requirements were moved from the Bank of Ghana to the commercial banks. The authorized dealer banks were permitted to retain foreign exchange arising from export of goods and services except those from gold and cocoa. They were also permitted to use the proceeds purchased from exporters to finance foreign exchange transactions either for themselves or on behalf of their customers. As part of the liberalization process in the trade and exchange system, authorized foreign exchange dealer banks were permitted to approve and effect all foreign exchange transactions without reference to the Bank of Ghana. The transactions included payments for imports, technology transfers and investment in some and over-the-counter purchases of foreign currency.

Thus over the decade from 1982 Ghana moved back to market based exchange rates and *de facto* current account convertibility with few severe crises albeit the new system remains highly vulnerable to cocoa (or gold) price and foreign resource transfer shocks.

(Tables to this article follow on pages 63-66.)

TABLE 1: SELECTED MACROECONOMIC INDICATORS

	1980	1981	1982	1983
Real GDP Growth (%)	0.50	(6.90)	(4.60)	(4.60)
Inflation rate (annual average)	50.10	116.50	22.30	122.80
Nominal GDP (C'm)	42,853.00	86,451.00	184,038.00	184,038.00
Average Exchange Rate (C/$)	2.75	2.75	2.75	9.56
Export of Goods & Services ($m)	1,212.60	831.70	747.90	477.80
Goods	1,103.60	710.70	641.30	439.30
Services	109.00	121.00	106.60	38.50
Central Govt Budget Def (% of GDP)	(1.00)	(6.40)	(4.50)	(2.60)
Money Supply Growth (%)		46.30	28.10	37.00

	1984	1985	1986
Real GDP Growth (%)	8.60	5.10	5.20
Inflation rate (annual average)	39.60	10.40	24.60
Nominal GDP (C'm)	270,561.00	343,048.00	511,373.00
Average Exchange Rate (C/$)	35.99	54.37	89.21
Export of Goods & Services ($m)	614.50	670.80	1,554.00
Goods	565.50	632.50	804.70
Services	49.00	38.30	749.30
Central Govt Budget Def (% of GDP)	(1.80)	(2.20)	0.10
Money Supply Growth (%)	57.60	60.70	54.50

	1987	1988	1989
Real GDP Growth (%)	4.80	5.60	5.10
Inflation rate (annual average)	39.80	31.40	25.20
Nominal GDP (C'm)	746,000.00	1,051,196.00	1,417,214.00
Average Exchange Rate (C/$)	162.37	202.34	270.00
Export of Goods & Services ($m)	905.90	958.70	893.70
Goods	826.60	881.00	807.90
Services	79.30	77.70	85.80
Central Govt Budget Def (% of GDP)	0.50	0.80	0.70
Money Supply Growth (%)	53.90	43.00	26.90

	1990	1991	1992
Real GDP Growth (%)	3.30	5.30	3.90
Inflation rate (annual average)	37.20	18.00	10.00
Nominal GDP (C'm)	2,031,686.00	2,574,774.00	3,253,256.00
Average Exchange Rate (C/$)	326.33	367.78	437.09
Export of Goods & Services ($m)	989.70	1,108.00	1,115.20
Goods	896.60	997.70	986.30
Services	93.10	110.30	128.90
Central Govt Budget Def (% of GDP)	0.20	1.60	(4.80)
Money Supply Growth (%)	18.00	19.91	52.90

Source: Bank of Ghana; Ghana Statistical Service: Quarterly Bulletin of Statistics, Several Issues

TABLE 2: GHANA'S BALANCE OF PAYMENTS (Million Dollars)

		1980	1981	1982	1983	1984	1985	1986
1	Merchandise Exports (f.o.b.)	1103.6	710.7	641.3	439.3	565.5	632.5	749.3
2	Merchandise Imports (c.i.f.)	-973.6	-1021.0	-631.0	-538.8	-669.6	-726.8	-805.1
3	Trade Balance	130.0	-310.3	10.3	-99.5	-104.1	-94.3	-55.8
4	Invisibles (net)	-104.1	-111.5	-84.7	-57.4	27.6	-62.2	-29.5
	Freight and Insurance (credit)	12.8	13.7	12.9	16.0	22.0	13.0	14.3
	Investment Income (net)	-80.0	-80.9	-81.7	-81.7	-101.2	-106.1	-104.7
	Other Services (net)	-116.6	-127.2	-98.3	-80.7	-96.4	-105.6	-130.2
	Transfers (net)	79.7	82.9	82.4	89.0	203.2	136.5	191.1
	Official (net)	82.9	87.2	83.6	72.4	129.7	104.6	118.2
	Private (net)	-3.2	-4.3	-1.2	16.6	73.5	31.9	72.9
5	CURRENT ACCOUNT	25.9	-421.8	-74.4	-156.9	-76.5	-156.5	-85.3
6	GOVERNMENT CAPITAL (Net)	82.8	91.1	112.8	27.7	186.7	32.1	128.2
	Long-term Loans (Net)	95.7	49.2	15.8	15.0	83.6	109.8	226.5
	Gross Inflows	120.4	77.8	55.2	84.4	133.4	134.8	256.7
	Amortization	-24.7	-28.6	-39.4	-69.4	-49.8	-25.0	-30.2
	Medium-term Loans (Net)	-12.9	41.9	97.0	12.7	104.3	-70.3	-87.1
	Gross Inflows	0.0	49.1	103.2	67.8	169.5	152.5	133.3
	Amortization	12.9	-7.2	-6.2	-55.1	-65.2	-222.8	-220.4
	Trust Fund Loan	0.0	0.0	0.0	0.0	-1.2	-7.4	-11.2
7	PRIVATE CAPITAL (Net)	15.9	3.3	11.3	13.4	-8.7	5.8	7.0
	Direct Investment (Net)	15.6	16.3	16.4	1.6	2.0	5.6	4.3
	Supplier's Credit (Net)	0.3	-13.0	-5.1	11.8	-10.7	0.2	2.7
	Gross Inflows	4.7	3.7	3.7	42.0	7.0	4.7	5.2
	Amortization	-4.4	-16.7	-8.8	-30.2	-17.7	-4.5	-2.5
8	Non-Monetary Short-term Capital	1.8	-29.3	-1.7	55.0	-25.8	-2.8	-52.5
9	Monetary Short-term Capital	10.3	28.9	15.3	5.9	-58.9	27.3	-16.4
10	S.D.R. Allocation	14.0	14.4	0.0	0.0	0.0	0.0	0.0
11	ERRORS AND OMMISSIONS	-89.4	62.8	-36.0	-188.1	20.4	40.1	-38.0
12	OVERALL BALANCE	61.3	-250.6	27.3	-243.0	37.2	-54.0	-57.0

TABLE 2 (continued)

		1987	1988	1989	1990	1991	1992
1	Merchandise Exports (f.o.b.)	826.6	881.0	808.2	896.6	997.7	986.3
2	Merchandise Imports (c.i.f.)	-1024.9	-1090.6	-1011.3	-1205.0	-1436.9	-1588.2
3	Trade Balance	-198.3	-209.6	-203.4	-308.2	-321.0	-470.0
4	Invisibles (net)	100.3	142.7	113.1	85.1	187.6	226.2
	Freight and Insurance (credit)	15.7	17.3	19.0	20.9	25.3	30.4
	Investment Income (net)	-126.4	-130.9	-117.8	-111.4	-119.4	-132.2
	Other Services (net)	-112.8	-111.2	-120.1	-130.4	-140.2	-106.2
	Transfers (net)	323.8	367.5	422.3	410.5	421.9	470.2
	Official (net)	122.2	195.1	220.2	208.6	202.4	215.3
	Private (net)	201.6	172.4	202.1	201.9	219.5	254.9
5	CURRENT ACCOUNT	-98.0	-66.9	-89.7	-223.1	-251.6	-376.2
6	GOVERNMENT CAPITAL (Net)	218.0	179.9	171.2	290.3	356.6	386.5
	Long-term Loans (Net)	267.3	265.7	286.3	322.3	373.0	311.6
	Gross Inflows	303.7	300.2	323.2	354.5	410.6	350.6
	Amortization	-36.4	-34.5	-36.9	-32.2	-37.6	-39.0
	Medium-term Loans (Net)	36.9	-72.7	-104.0	-28.5	-16.0	74.9
	Gross Inflows	109.0	101.6	34.1	65.1	70.6	155.4
	Amortization	-145.9	-174.3	-138.1	-93.6	-86.6	-80.5
	Trust Fund Loan	-12.4	-13.1	-11.1	-3.5	-0.4	0.0
7	PRIVATE CAPITAL (Net)	1.7	11.0	11.7	52.8	19.1	6.4
	Direct Investment (Net)	4.7	12.0	15.0	14.8	20.0	22.5
	Supplier's Credit (Net)	-3.0	-1.0	-3.3	38.0	-0.9	-16.1
	Gross Inflows	1.0	5.0	2.7	43.0	13.4	3.0
	Amortization	-4.0	-6.0	-6.0	-5.0	-14.3	-19.1
8	Non-Monetary Short-term Capital	22.2	20.0	18.7	7.8	-23.9	-51.3
9	Monetary Short-term Capital	7.6	6.6	0.0	-67.0	39.7	-67.6
10	S.D.R. Allocation	0.0	0.0	0.0	0.0	0.0	0.0
11	ERRORS AND OMMISSIONS	-12.2	-26.0	15.9	57.2	31.0	-22.2
12	OVERALL BALANCE	139.3	124.6	127.8	118.1	170.8	-124.3

TABLE 3: SUMMARY ACCOUNTS OF THE BANKING SYSTEM
(Millions of Cedis; end period)

	1980	1981	1982	1983	1984	1985
Net Foreign Assets:	-358	-1160	-1024	-16676	-31440	-48702
Banking System	477	24	238	4031	9146	4610
Net IMF Position	-119	-78	-59	-8405	-23388	-39359
Post-1972 Payment Arrears	-537	-955	-1051	-10399	-15402	-12263
Pre-1972 Payment Arrears	-75	-54	-54	-335	-392	-209
Participation Arrears	-104	-97	-98	-1568	-1404	-1481
Net Domestic Assets:	8404	12943	16004	22601	39237	66464
Claims on Government	6526	10655	11064	21059	24170	27176
Claims on Public Entities	400	441	527	813	676	4795
Cocoa Financing	1559	2950	5553	521	3580	13545
Claims on Non-Bank Fin.	74	107	129	200	897	13
Claims on Private Sector	943	1345	1562	2841	12153	21178
Net Other Assets	-1098	-2555	-2831	-2833	-2239	-243
Revaluation Account				16158	29930	41884
Money and Quasi-Money:	7938	11637	14834	20495	34621	55625
Money	6087	9415	11205	16411	27370	43950
Quasi-Money	1851	2222	3629	4084	7251	11675
SDR Allocation	108	146	146	1588	3106	4021

	1986	1987	1988	1989	1990
Net Foreign Assets:	-130656	-141707	-141303	-127903	-86376
Banking System	5327	17848	7315	-6197	21639
Net IMF Position	-113344	-137006	-133670	-117131	-108015
Post-1972 Payment Arrears	-18571	-17223	-10518	-2566	-
Pre-1972 Payment Arrears	-	-	-	-	
Participation Arrears	-4068	-5326	-4430	-2009	-
Net Domestic Assets:	94590	105335	116631	102918	76149
Claims on Government	29647	22220	11008	-10454	-34012
Claims on Public Entities	5274	8610	10422	19674	24592
Cocoa Financing	16889	16471	21000	23747	17058
Claims on Non-Bank Fin.	-	-	-	-	-
Claims on Private Sector	37455	46946	58183	61140	80218
Net Other Assets	5325	11088	16018	8811	-11707
Revaluation Account	133135	179768	224990	276189	332332
Money and Quasi-Money:	85937	132263	189187	240071	283242
Money	65816	95042	139031	185153	216958
Quasi-Money	20121	37221	50156	54918	66284
SDR Allocation	11132	11132	11132	11132	11132

Notes:
1 For 1971-75, Net Foreign Assets valued at 1 Cedi + SDR 0.71842.
2 The series after 1978 is not strictly comparable with that of the preceding period becuase prior data on arrear's payments did not include arrears on service payment.
3 Excludes secondary banks up to 1983.

Source: Bank of Ghana; IMF Reports, 1973-83.