

RESTRICTED

GENERAL AGREEMENT ON
TARIFFS AND TRADE

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REPORT OF THE COMMITTEE ON BALANCE-OF-PAYMENTS
RESTRICTIONS ON THE CONSULTATION WITH

G H A N A

Addendum

The following communication from the International Monetary Fund, dated 11 September 1962, contains the Executive Board decision taken at the conclusion of the Fund's consultation with Ghana under Article XIV of the Fund Agreement which was referred to in paragraph 2 of the report on the consultation with Ghana (L/1778). This decision should be deemed to constitute an annex to that report.

During the CONTRACTING PARTIES' consultation with Ghana under Article XVIII:12(a) of the General Agreement, which was conducted in May 1962, the representative of the Fund stated that the Fund was at that time conducting its 1962 consultation with Ghana and expected to transmit to the CONTRACTING PARTIES the Executive Board decision relating to that consultation when it became available. For the information of the CONTRACTING PARTIES, the Executive Board decision taken at the conclusion of the Fund's consultation with Ghana on August 17, 1962, is as follows:

1. The Government of Ghana has consulted the Fund under Article XIV, Section 4, of the Fund Agreement concerning the further retention of its transitional arrangements.
2. The 1961/62 cocoa crop is slightly less than the record crop of 1960/61. Although the world market price of cocoa fell further, the price paid to farmers has been maintained and aggregate internal demand has continued at a high level. Tax revenue was adversely affected by the depressed cocoa price, and government expenditures for ordinary purposes and development continued to increase. The resulting increased deficit was being financed by Treasury bill issues taken up by the banking system, by drawings on foreign credits, and, as a last resort, by utilization of the Government's sterling assets. Commercial bank credit to the private sector increased sharply, mainly to finance an increased volume of imports. Money supply increased much less than bank credit expansion during 1961 owing to the large drawing down of international reserves. Prices increased some 6 per cent.

3. Although the volume of cocoa exports increased markedly from 1960 to 1961, export receipts remained about the same. Imports increased 11 per cent, and the trade deficit rose to £G 20 million. The deficit on current invisibles increased moderately, and there was a substantial export of official long-term capital. The country's international reserves fell during 1961 from £G 142.2 million to £G 71.0 million, but rose during the first half of 1962 to £G 74.2 million at the end of June.

4. A new Seven-Year Development Plan is scheduled to come into operation in January 1963. The Government intends to keep the over-all budget deficit for 1962/63 (which includes the Development Plan) within an amount that can be financed by drawings on foreign credits and to restrict bank credit to the private sector. The Fund urges the Ghana Government to pursue cautious financial policies that will reduce the excessive internal demand and ease the strain on the balance of payments.

5. To arrest the decline in reserves, Ghana has intensified restrictions on imports and on certain current invisible payments. Controls on outgoing capital transfers have been extended. Ghana has concluded a number of bilateral payments agreements since the last consultation. The Fund urges Ghana to reduce as rapidly as the balance of payments position permits the restrictions on current trade and payments. The Fund is pleased to note the assurances of the Ghana authorities that they will apply these restrictions as far as possible in a nondiscriminatory manner and that every effort will be made to terminate the bilateral payments agreements with other members of the Fund at their expiry date.

6. In concluding the 1962 consultations, the Fund has no other comments to make on the transitional arrangements maintained by Ghana.