



GHANA FLASH NOTE

Bank of Ghana in the political cross-hairs

Over the last three weeks, the central bank has found itself under sustained political attack – a scenario that seldom bodes well for the conduct of monetary policy.

- 1) As we have reported previously, during his State of the Nation address on Feb. 25th, **President Mahama took the Bank to task** for what he described as its 'lack of effective supervision' in connection with the collapse of several micro-finance companies, most recently DKM Diamond.
- 2) A week later, the Governor was summoned to brief Parliament, in a closed-door session, on the operations of Ghana's micro-finance and savings and loans companies. **Several MPs have since called for his resignation.**
- 3) These events are transpiring at a time when **monetary policy is unusually tight for an election year**¹ and the Bank appears to be refraining from financing the operations of the Government, one of the conditions laid out in the ECF programme.
- 4) With economic growth slowing, is not unreasonable to assume that **the Government would have welcomed a little pre-election pump-priming** - and therefore regards the central bank's restraint as excessive, if not obstructionist.
- 4) Dr. Wampah's 4-year term ends this August. Should Mahama decide not to renew his appointment, it may be **a sign that the President believes monetary policy requires a more accommodating steward**. The implications of such an outcome are obvious.

EPILOGUE

March 22 - The MPC, chaired by Dr. Wampah, **votes to maintain the policy rate at 26%**. Shrugging off the widespread calls for an easing of its tight policy stance, the Committee points out that, *"The current levels of inflation remain significantly above the medium term target band of 8±2 percent."*

March 28 - Dr. Wampah announces that he is **"proceeding on leave prior to retirement"** - effectively relinquishing his post immediately.

April 4 - President Mahama announces that Dr. Wampah is to be succeeded by Dr. Abdul-Nashiru Issahakou, the Bank's 2nd Deputy Governor, a political scientist (with training in agricultural economics).

¹ The policy rate stands at more than 650 b.p. above inflation. For an illustration of how monetary policy being subordinated to the needs of the political authorities, see Rhombus analytical chart, [GHS - the impact of monetary policy](#).

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