



# NATIONAL ECONOMIC FORUM | 20 14

Senchi, Eastern Region, Ghana



*Left to right: Mr. Kwame Planim, leading member, New Patriotic Party; Vice President Kwesi Amissah-Arthur; President John Dramani Mahama, Chief Justice Georgina Theodora Wood; and TUC Secretary General, Kofi Asamoah*

# NATIONAL ECONOMIC FORUM

CHANGING THE NARRATIVE: BUILDING A NATIONAL  
CONSENSUS FOR ECONOMIC & SOCIAL TRANSFORMATION

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A close-up photograph of a fabric with diagonal stripes in yellow and green. The fabric has a visible woven texture. A solid green rectangular box is overlaid on the center of the image, containing the text "Executive Summary" in white, bold, sans-serif font.

# Executive Summary

## EXECUTIVE SUMMARY

Between May 13-15, 2014, a National Economic Forum was held in Senchi, in the Eastern Region, with the aim of reaching a common understanding and agreement over challenges currently facing the Ghanaian economy and how best to address them. The result was the Senchi Consensus – a roadmap for overcoming these challenges and laying the foundation for the economic and social transformation of the country.

The Forum brought together stakeholders from the public sector, the private sector, political parties, civil society organisations, policy think tanks, professional associations, traditional leaders, the security services, the Judicial Service, religious groups, key individuals, the media, among others.

President John D. Mahama performed the opening ceremony. The President traced the history of such forums to 1997, when the government at the time organised one and brought together Ghanaians from all walks of life to deliberate on the challenges of development facing the nation at the time.

This, he noted, was followed by another forum in 2001, dubbed the National Economic Dialogue, which was organised by the NPP government shortly after it took office. The president fondly recalled his own participation in these forums, first as a deputy minister in the previous government (1997) and later as member of Parliament who spoke on behalf of the minority (2001).

Given the persistence of Ghana's economic problems over the years, he urged the participants to go beyond merely discussing strategies for attaining macroeconomic stability and focus equally on strategies for sustaining it as a precondition for sustainable and inclusive growth. In one of many presentations that followed, the President of the African Centre for Economic Transformation, Dr. K.Y. Amoako, pointed out that Ghana faced several economic difficulties, fuelled by macroeconomic imbalances that posed serious challenges for sustained growth. Persistently high fiscal deficits, rising public debt, energy subsidies, and a high public sector wage bill, he noted, threatened

macroeconomic stability and hence growth. He added that inflation had jumped to double digits as had interest rates, thus pushing up the cost of credit. He noted that for economic transformation to occur in Ghana, there was first an urgent need for macroeconomic policies to restore stability and to foster an environment that would be conducive to economic activities and entrepreneurship. This, he added, called for action to get government expenditures under control and avoid over-reliance on tax increases.

Additionally, there was the need to ensure value for money in procurement through more transparent practices to minimise or eliminate the problem of waste, including judgment debts. He also stressed the need to establish or strengthen formal institutions or processes, including improved governance of state-owned enterprises, as well as have a clear export strategy that would involve identifying “low hanging fruits “and removing the policy, regulatory, and other bottlenecks that impede their growth and development.

In a statement presented on his behalf by a representative from the African Development Bank, Prof. Mthuli Ncube, Vice President and Chief Economist of the African Development Bank Group, noted that even though economic growth may be strong across Africa, economic transformation remained a challenge across the continent. Hence, deliberate policies were needed more than ever to reduce inequalities, promote inclusive growth and create jobs as a part of a broader transformation process.

The plenary session that followed was addressed by the Minister of Finance, the Governor of the Bank of Ghana, the Chairman of the National Development Planning Commission (NDPC), the Secretary General of the Trades Union Congress (TUC), and the President of the Association of Ghana Industries (AGI). The Minister outlined recent economic developments and some of the measures deployed by his ministry to restore fiscal balance and to promote structural reforms. He also briefed the Forum on Government’s social interventions as well as on-going efforts to support the private sector. For the medium term, the Minister explained that growth would be supported by rising oil and gas production as well as the expansion of the services sector. He added that tighter controls and more durable long-term public financial management systems should also lead to increased efficiency in public spending, which should in turn support sustained economic growth.

The Governor also acknowledged the current economic challenges facing the country, with particular emphasis on threats from the external environment and the fiscal sector that had resulted in the depreciation of the cedi and the depletion of Ghana’s

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international reserves. He recalled the Bank's policy response in February 2014 to the challenges facing the cedi. They included a hike in the central bank's policy rate and a tightening of reserve requirements of banks while reducing the net open positions of banks. He further explained that the Bank had earlier issued a set of foreign exchange regulations and code of conduct to market participants. This was to ensure transparency, streamline activity and reduce leakages in the foreign exchange market as well as address anti-money laundering issues and promote the use of the cedi as the legal tender of Ghana. He added that efforts were underway to assess the impact of these measures so as to ascertain any unintended impacts that may need to be addressed.

The Governor affirmed the need to maintain macroeconomic stability at all times and avoid destabilising fiscal cycles. He also noted the need to ensure competitiveness of Ghana's exports by avoiding misalignments in the exchange rate and deepening the foreign exchange market further. He called for an expansion of the export base and the diversification of sources of foreign exchange earnings while discouraging the importation of consumption goods that have local substitutes. According to him, there was the need to intensify efforts to check foreign exchange leakages through practices such as transfer pricing by some firms. Finally, the Governor called for an effort to ensure that all retention accounts of exporters are maintained with domestic banks as pertains in other countries.

The Secretary General of the TUC welcomed the idea of a consultative forum on the economy and noted that this was in line with their earlier call for the gathering of Ghanaians to deliberate on the current economic challenges of the country. The Secretary General called for a change in the nature of economic policies. He explained that to reverse the growing trade deficit and the falling value of the cedi, there was the need for a second look at Ghana's current trade policy which, in their view, was too liberal for the country's level of development. He therefore called for a new international trade regime that would support and encourage domestic manufacturing while discouraging imports. This, he said, could be done by taking advantage of existing safeguards within the international trade rules. He also called for an innovative approach in which Government would work with banks to bring down the cost of borrowing as a means of expanding business growth and improving employment creation. The TUC boss emphasised the fact that economic policies must focus on adding value to Ghana's natural and human resources and being able, as a country, to produce some of the basic necessities of life at home.

The President of the AGI, for his part, noted that the private sector required macroeconomic stability and predictability of the business environment in order for it to regain confidence on a long-term basis. He argued that the much-touted attractive business environment of Ghana was gradually giving way to other competing countries in the sub-region. In his view, growth pillars must be sectors that spur structural transformation of the economy, such as manufacturing, with a potential for job creation.

There is, therefore, the need, he said, for the protection of infant industries. Among the areas that he indicated needed policy attention are taxation, access to credit, utilities supply, infrastructure, and effective policy implementation. Others were better collaboration between Government and the private sector, with significant local content as a strategic pillar to accelerate economic growth.

The Chairman of the National Development Planning Commission (NDPC) gave a background to the Ghana Shared Growth and Development Agenda (GSGDA) (2010-2013) and an overall assessment of progress. He outlined some of the key medium-term development challenges and the strategic direction of the Second Ghana Shared Growth and Development Agenda (GSGDA II, 2014-2017). Finally, he pointed out some of the implementation challenges and the medium- and long-term interventions to address them.

Six break-out groups began discussions after the plenary session. Discussion topics were grouped as follows: (i) restoring macroeconomic stability; (ii) strengthening the role of the private sector in achieving inclusive and sustainable growth and development; (iii) key issues in economic management; (iv) financial markets and long-term economic growth; (v) unlocking the potential for long term economic development; and (vi) post-Forum implementation and communication.

During the session on 'restoring macroeconomic stability', a number of observations were made in three broad areas. First, it was observed that there had been a gradual deterioration in policy credibility, which was impacting negatively on macroeconomic outcomes. Secondly, there were several constraints on the budget that limited the efficacy of fiscal policy. Thirdly, a number of challenges with financing of the budget deficits needed to be addressed.

In the session on 'strengthening the role of the private sector', discussions focused on interventions required in the agricultural and industrial sectors (specifically manufacturing), and also reforms that could positively impact on the activities of



the private sector generally. These included competitiveness, targeted monitoring and evaluation, innovation, and financing.

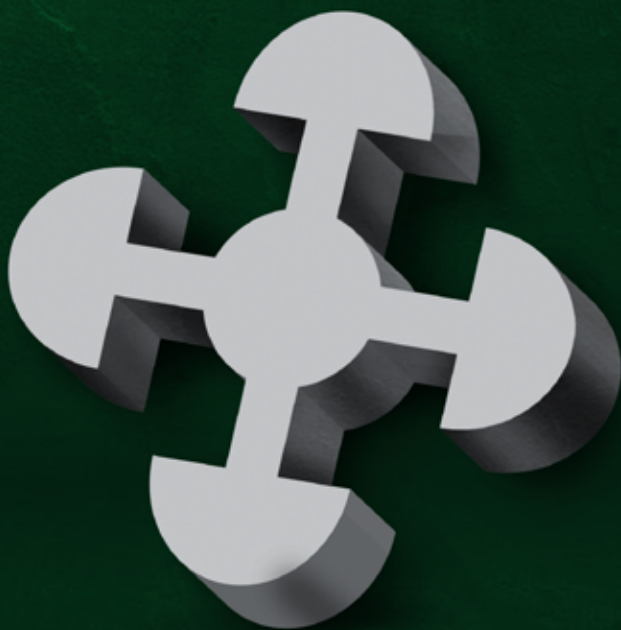
Discussions on ‘key issues in economic management’ centred mainly on roles and functions in the economic management process and ways of improving productivity in the public sector through improved coordination and tackling of bureaucratic bottlenecks. The role of external financing and ways to encourage the spirit of public-private partnerships while improving the climate for investments in the country and other crossing-cuttings issues were also discussed. Participants noted that the 1992 constitution had clear provisions on the development path that the country must follow and that the “Directive Principles of State Policy” must continue to guide the national development effort, anchored in a long-term national development framework with a compelling vision.

The ‘financial markets and long-term economic growth’ session reviewed the structure and development of Ghana’s financial markets and their impact on long-term economic growth. Among others, participants highlighted the critical role of the financial sector in promoting sustainable and inclusive growth and the need for synchronisation of financial markets with the nation’s long-term development strategy as well as ensuring sustainable policy implementation to avoid taking ad-hoc measures that could lead to instability in the financial markets. It was pointed out that it was important to develop innovative ways of financing projects in the agriculture sector and other vulnerable sectors of the economy, especially SMEs.

On ways to ‘unlock the potential for long-term economic development’, the group considered peace and security, rule of law and justice, a people-centred approach to development, civic responsibility, and the need for a long-term framework to guide national development. Critical issues raised included the need to develop a unified long-term national development plan with a compelling vision; an apex national institution that has the authority, independence, autonomy and capacity to facilitate the process of development, coordination of implementation, monitoring, and evaluation of the long-term development plan. The vision should be anchored in selected flagship programmes and projects with the demonstrated capacity to impact the economy and society while enhancing the competitiveness of the private sector. The Group considered the need for an effective framework for post-forum communication, a commitment to implementing the decisions of the forum, and the institutionalisation of the National Economic Forum to provide a platform for continued consensus building in implementing economic policy in the future.

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# Group Reports





## Group One Report

# Restoring Macroeconomic Stability



## A. Introduction

The Chairman noted that the group’s work was going to be critical to the successful outcome of the Forum and urged participants to make their contributions rigorously and to the point so as to allow for maximum participation. The task of the group, he said, was to identify the fundamental causes of instability in the macroeconomic environment and suggest measures to restore stability. He proposed that the discussions begin with a review of the key issues suggested for consideration in the background document with a view to modifying them as appropriate. In the ensuing discussion, the group decided to adopt the suggested key issues, with the addition of the following topics: Role of Official Development Assistance (ODA), and how to restore credibility in policy making.

## B. General Observations

Members of the group made a number of observations on the issue of restoring macroeconomic stability. These are outlined below:

### *Policy Credibility*

The group discussed extensively the importance of policy credibility for the restoration of macroeconomic stability. They noted several factors that create credibility problems for Government in the view of the public, development partners and the financial markets. The following were noted as some of the factors:

- i. For two consecutive years (2012 and 2013) macroeconomic targets have been missed.
- ii. Annual budgets have not been implemented as approved by Parliament.
- iii. Mid-year reviews have sometimes been used to introduce new policies rather than for an assessment of policies outlined in the budget.
- iv. Budget outcomes have deviated significantly from forecasts and therefore have tended to be perceived as not dependable.
- v. There is a general perception that Government tends to explain economic difficulties more by attributing causes to external factors than to domestic policies. This leads to complacency and inappropriate responses.
- vi. Excessive spending in relation to the political cycle has undermined confidence in the commitment to macroeconomic discipline and stability.
- vii. Announcement of policy measures (e.g., new tax measures) that are not implemented in accordance with the implementation schedule assumed in the budget.
- viii. Surprise changes in the foreign exchange market regulations followed by selective revisions that suggest inadequate consultation with stakeholders or assessment of the reaction of the public.
- ix. Institutional arrangements have been proposed to deal with corruption, but high-profile cases remain to be dealt with frontally.

### *Constraints on the budget*

The group noted that the structure of Government spending is a major constraint on fiscal policy. In the 2013 budget, Government expenditure on two items - the wage bill and interest costs on the public debt - absorbed 57 percent and 25 percent, respectively, of total Government revenue, leaving only 18 percent for other budgetary items, including capital expenditure.

In addition, transfers to statutory funds (DACF, GETFund, NHIS, Road Fund, GNPC, etc.) amounted to GH¢2 billion, estimated to have been 13 per cent of total revenue.

For reasons of this 'structural' problem, transfers to these statutory funds have usually not been met and therefore are in arrears, meaning that the services that were to be provided, e.g., national health insurance scheme, which now covers an estimated 10 million people, are underfunded. Similarly, the objectives of programmes funded from earmarked revenues may be compromised.

Given this structure of the budget, members noted that Government spending has become an ineffective tool for the realisation of the important objectives of growth and sustained improvement in social welfare.

### *Financing of Budget Deficits*

Reliance on domestic and external borrowing, including resort to sovereign bond issues on the capital markets and external subscription to domestic debt instruments, has increased. This has pushed public indebtedness close to the limits of sustainability. Ghana's newly gained lower middle-income status has changed the mix of concessional and commercial financing for the public sector, with reduced inflows of ODA. Since 2012, the deterioration in the overall fiscal and macroeconomic situation has further curtailed disbursement of ODA .

Oil revenue prospects have provided collateral for access to commercial borrowing on a relatively large scale, primarily to finance domestic expenditure and restructure domestic debt, but this has increased the vulnerability of the fiscal position to swings in market sentiments. For example, authorities noted the impact of 'quantitative easing' by the US Federal Reserve on foreign holdings of Ghana's domestic debt.

There is an apparent need for greater coordination between the central bank and fiscal authorities. The increased fiscal deficit and borrowing is weakening the effectiveness of monetary policy and has resulted in rising interest rates and borrowing costs for the private sector.

### **C. 2014 Budget**

There is danger of deepening the credibility problem, given that the 2014 budget targets may not be achieved. Due to implementation delays and apparent suspension in the implementation of some taxes, the expenditure implications for the provision of subsidies on petroleum products and utility tariffs in line with the agreement reached with organised labour cannot be overlooked. (In that agreement, Government offered a Cost of Living Allowance (COLA) in lieu of base pay increases). The Committee concluded that the fiscal targets for 2014 are unlikely to be realised.

Moreover, the economy is subject to several vulnerabilities, such as the global economic slowdown, lower commodity prices, a rising current account deficit, and a consequent fall in revenue. It was noted that the reverse flow of portfolio capital in response to the tapering of quantitative easing in the United States had also created challenging balance of payments problems.

In pursuit of the objective of stronger co-ordination of macroeconomic (fiscal and monetary) policies, the group felt a need for the Ministry of Finance to provide an assessment of the likely deviations from targets and the financing gap to enable the BoG to determine the implications for monetary policy.

The present situation of expansionary fiscal policy and tight monetary policy was deemed to be sub-optimal and unsustainable. Continued rise in already high (double-digit) real lending rates had been identified in studies by Partners for Growth (PFG), Association of Ghana Industries (AGI) and the Centre for Policy Analysis (CEPA) as a key barrier to SMEs development, growth and job creation. Closely behind this is the unavailability of reliable electricity supply. (Job creation above all in the SME sector is essential to the resolution of the public sector wage bill challenge).

Discussions also covered the forecasting capacity of the MoF, given the significant deviations in revenue targets. First quarter estimates of performance point to a repeat of last year's significant deviations, though by smaller margins. The first quarter outcome also suggests a need for better balance between revenue and expenditure. Rather than a rush into additional taxes, focus should be on further enhancing tax administration. There are proposed tax revenue measures not being implemented and others with delayed implementation. In respect of the former, the specific excise duty on petroleum products was to be made ad valorem in line with the current policy on excise duty. The VAT on fee-based financial services is an example of the latter. Budget estimates of the yields on these taxes either would not be realised or would be only partially so.

Members took the view that the planned mid-year review should seek a balance between revenue measures and expenditure and avoid an overreliance on increased taxation. On revenue mobilisation, the focus should be on improved tax administration. It was also stressed that efforts be made to widen the tax net and rope in the informal sector.

On aligning the expenditure of statutory funds to the national budget, it was observed that there are administrative as well as legal implications that must be carefully examined and addressed.

Payroll management measures already being implemented should be speeded up in order to achieve the medium-term ECOWAS convergence criteria. Provision must also be made not only for full cost recovery on electricity and water tariffs but also

petroleum products to avoid payment arrears to providers of these products such as ECG, VRA, GRIDCo and Ghana Water Company. Both of these are critical to the settlement of the public sector wage agreement with organised labour.

The implications of the availability of electricity in 2014 and beyond are of paramount importance and must be fully recognised and addressed, the group noted.

#### **D. Medium Term**

A critical review of the strategies outlined in the home-grown medium-term financial and economic policies attracted some concerns from the group. First, it is not clear whether the target of reducing the wage bill from 57% in 2013 to 35% of tax revenue by 2017 would be achieved. In particular, it is unclear what specific supporting policies would be implemented to ensure the achievement of the target. The use of GIFMIS, HRMS and Payroll reforms can yield significant benefits but may not be up to the magnitude projected. Right-sizing the public sector may be one complementary way of achieving this but whether the Government would have the political will to do so during the medium-term is yet to be ascertained.

Fiscal policies pursued in the medium term should be coordinated with monetary policy objectives to ensure that the private sector has a favourable macroeconomic environment to create jobs and so absorb labour released from Government's right-sizing of the public sector

Another major proposal was to wean off subvented organisations from the GoG payroll. This is a policy initiative that must be considered within a broader frame. More specifically, some of these subvented organisations raise internally generated funds (IGF) through certain services rendered at prices below the market rate and therefore taking them off Government subventions would imply charging economic or market rates for their services. This may have wider social and political-economy implications that must be considered in any action eventually taken by the government.

The Group reviewed the economic growth implications of new fiscal measures, such as a net freeze on employment in some public sector organisations. It was recommended that some technical work on such supply-side impacts was important to inform policy. In addition, this policy can be implemented selectively, since some critical sectors that drive the growth objectives of government may be affected. It was noted, for instance, that a general freeze may rather be detrimental to the broader medium term objectives.

Members also called for an urgent investment programme to fix the problems with the utilities so as to ensure that growth objectives were not compromised. For example,



the energy pricing problem was a serious one that had significant budgetary effects and hence implications for macroeconomic stability.

A lot of efficiency-enhancing initiatives are underway. But these take time to have an effect, and in the short term they may be even disruptive, even if in the long term they yield positive results. There is, therefore, the need to find measures that will address the expenditure issues in the short term to ensure the achievement of targets.

## **E. Recommendations**

1. The Ministry of Finance should as a matter of urgency review for the consideration of the Economic Management Team (EMT) the targets set in the 2014 budget. The review must identify likely deviations and make proposals for plugging the resultant financing gap, while the Bank of Ghana traces the implications of the revisions for monetary policy.
2. Mid-year reviews should as a matter of policy be used for assessing the implementation outcomes of policies outlined in the budget and lessons learnt used to inform subsequent budgets. Mid-year reviews should not be the occasion for making major changes to policy as this tends to fuel perceptions of policy uncertainty.
3. The number and functions of statutory funds should be reviewed with a view to prioritising and rationalising them and, subject to the applicable legal and administrative considerations, aligning their use with the priorities of the national budget.
4. Fiscal measures proposed in the budget and approved by Parliament should be implemented in the time-frame assumed in the budget and alternative measures introduced to make up for shortfalls occasioned by lags in implementation.
5. The Ministry of Finance should take steps to improve the realism and robustness of targets set in the fiscal programme so as to ensure greater certainty in their achievement and thereby help restore policy credibility and market confidence.
6. Urgent consideration should be given to the promulgation of a Fiscal Responsibility Law to help strengthen controls over expenditure.

7. There should be increased efforts to further improve the efficiency of tax collection as well as broaden the tax base and reduce recourse to the introduction of new taxes. In this regard, the incidence of discretionary tax exemptions should be reviewed and reduced.
8. Given the implications for growth, employment, competitiveness and macroeconomic stability, a programme to deal with the energy crisis must be put in place as a matter of urgency.
9. The Bank of Ghana should expedite work on the assessment of the recently announced foreign exchange measures and take speedy and appropriate action to restore confidence and relieve the unintended consequences of the measures
10. Consideration should be given to the amendment of the Bank of Ghana Act to set a ceiling on its lending to Government that is based on Government's revenue collection in the previous year rather than the current year as is currently the case. Government should separate this from the ceiling on total net domestic borrowing.
11. The Bank of Ghana should exercise full independence in the exercise of its mandate in the setting of the policy rate but should cooperate, as appropriate, with the Ministry of Finance in the implementation of macroeconomic policy



## **Group Two Report**

# **Strengthening the Role of the Private Sector in Achieving Inclusive and Sustainable Growth and Development**

## A. Introduction

The Chairman encouraged members to participate freely as the meeting was being conducted under Chatham House Rules (where the names of contributors are not recorded). He also reminded the Group that issues such as macroeconomic stability and infrastructure development were being addressed by other groups. Consequently, the Private Sector Group should focus on interventions that would enhance the operation of the sector.

### *Definition of the Private Sector:*

- Any business establishment that is not public sector is private sector.
- An organisation that is driven by profit, which leads to competition, scalability, innovation, efficiency, and job creation, i.e. from peasant agriculture through manufacturing to petty retail and supermarkets, etc.

## B. Discussion and Comments

1. Discussions focused on interventions in agriculture and industry (specifically, manufacturing).

## C. Recommendations

### *I. Agriculture*

1. Key crops - Need to identify key crops and fruits that will move the nation forward by creating jobs and providing food security based on identified geographical areas, soil quality, etc., to determine which crops are suitable for an area.
2. Guaranteed Prices – Substitute blanket input subsidies such as tractors and fertilizers with the provision of guaranteed prices for some selected goods that can be produced on a large scale, as happens in the case of cocoa, for instance.
3. Value chain – Value-chains should be developed by the relevant institutions in collaboration with the private sector. This must begin from environmental suitability through production to processing and ultimately marketing to help both commercial and smallholder farming.

4. Agro-processing - Move from only production to agro-processing, especially in the area of perishable goods.
5. Research – Money saved from subsidised inputs should be invested in existing research institutions to equip them well.
6. Land tenure system – The compulsory acquisition law should be reviewed to enable Government to acquire or use already acquired land in PPPs. This should be demand-derived.

## *II. Industry – Manufacturing and Extractive Industries*

7. Key industries - Need to identify key industries where we can achieve comparative advantage and support these industries. The support need not be financial.
8. Cross-subsidy in energy – Industry should not be made to subsidise residential usage of power.
9. Regulatory framework - Need to strengthen the regulatory authorities to protect consumers and ensure the enforcement of competition standards, as well as help protect infant industries to create an even platform for competition. SMEs should also be protected, supported and duly regulated through the use of non-tariff barriers.
10. Role of private sector – Government should actively and continuously engage the private sector in a structured manner.
11. Development by legislation – Legislation should keep development objectives in mind and be reviewed regularly with the private sector to achieve development goals. Examples of such legislation include the procurement law, GIPC law, and the local content law.
12. Extractive industries - The books of extractive industries should be made available to the Chamber of Mines or Petroleum Commission to aid local industries in planning to meet their demand.

### *III. Services*

13. Service guarantees – Each Government department providing services should provide clear-cut standards and timelines for the delivery of such services to the private sector; failure to meet these standards must be penalised.
14. Utilities and infrastructure – Water and electricity must be progressively improved and the private sector should be prioritised in the application of the Ghana Infrastructure and Investment Fund.
15. Informal sector – Institute a policy framework that will help migrate the informal sector into the formal sector. Example: simplified business registration processes and non-mandatory SSNIT contribution up to a minimum number of employees by informal sector operators.
16. Trade shows - Government should support enterprises to go for trade shows exhibiting machinery and equipment and not only for finished products in order for Ghanaian businesses to have increased exposure in the area of manufacturing.
17. Exemptions regime – Should be reviewed and coordinated to ensure that local businesses are not at a disadvantage.
18. Human resources – Educational authorities should liaise with industry and clearly identify their needs so as to make training programmes more relevant to the needs of industry. Review technical and vocational programmes of various institutions.
19. Business laws – There is the need for constant review of laws/regulations affecting the operations of the private sector to make it more relevant to current trends and this should be done with the active involvement of industry/private sector.
20. Government purchases – The state must purchase from local producers to make them more competitive, especially since Government is the largest consumer, i.e., government must buy Made in Ghana products and services.
21. Business environment - The ease of doing business in Ghana should be enhanced through the implementation of the Private Sector Development Strategy (PSDS II) 2 and the Industrial Sector Support Programme.

22. Scalability - Government institutions such as NBSSI should be properly resourced to help SMEs grow. This could be in the form of the establishment of schemes by the private sector to mentor entrepreneurs.
23. Industrial attachment - Industrial attachment needs to be restructured and the collaboration between training institutions and industries should be enhanced.
24. Multiplier Effect - Permit and licensing space – At the permit stage, the appropriate Government agencies (GIPC, municipal authorities, District Assemblies and Ministry of Trade) must insert clauses that will ensure that the value chain trickles down to local supply. Example: in the area of shopping malls, Government can insert clauses such as percentage of shelf space and turnovers to be allocated to local industries.
25. Government negotiations – Government should strengthen and improve its negotiating teams by including the private sector and Ghanaians with global expertise.
26. Sub-contracting arrangements - For both local and international contracts, the award criteria should include backward linkages into Ghanaian-owned SMEs.

#### *IV. Labour –Management Relations and Productivity*

27. National productivity – Government and the private sector should collaborate to institute a national productivity crusade. Employers, including Government, and workers should ensure that they match productivity with remuneration.

#### *V. Business Confidence*

28. Predictability – The macroeconomic fundamentals should be properly restored to enable business plan effectively.
29. Government subsidies - Government subsidies should be made efficient, structured and targeted.

*VI. Funding/Financing/Taxation*

30. Macroeconomy - Macroeconomic stability should be ensured as this is fundamental to private sector operations.
31. Pension Funds There is the need to review the Pensions Act to allow the investment of pension funds in long-term investments such as electricity, while ensuring that realistic tariffs are paid.
32. Taxe policy and development - Government needs to retain its ability to use taxation as a policy tool to promote private sector businesses, job creation and national development.





## Group Three Report

# Key Issues in Economic Management

## A. Introduction

The Chairman set the tone by reminding participants of the framework for economic management under the Directive Principles of State Policy (Chapter 6 of the Constitution) and the institutional arrangements for the conduct of these policies.

## B. Key Issues

Discussions and comments were structured around the following key issues:

- i. Economic Management (roles and functions)
- ii. Public sector productivity (economic management capacity)
- iii. Role of external financing (IMF, World Bank, African Development Bank, donors, etc.)
- iv. Encouraging the spirit of PPP
- v. Implementation, Monitoring and Evaluation
- vi. Addressing bureaucratic hassles/inertia
- vii. Regulations/bottlenecks that burden or frustrate investors
- viii. Cross-cutting areas

## C. Discussions, Comments, and Recommendations

### *I. Economic Management (roles and functions)*

- a. After establishing that there exist many policy documents (including, the medium-term development policy frameworks, the constitutionally mandated Coordinated Programme for the Social and Economic Development Policies of Ghana (to be produced by every new government within two years), party manifestos, state of the nation addresses, annual budget statements, and outputs of the National Economic Forum), which underpin economic management, the group emphasised the need to ensure effective linkages/synergies among these documents.
- b. There is lack of clarity and synergy among institutions and relevant governance players, constraining effective economic management. The following, among others, were proposed:

- i. Clarify and streamline roles between MoF and NDPC on issues regarding planning and budgeting to ensure effective linkages between the annual budget on the one hand and the medium-term policy framework on the other;
  - ii. Clarify and streamline roles between MoF and BoG on financial and monetary policies to ensure policy consistency;
  - iii. Clarify roles between MoF and economic sector ministries;
  - iv. Align the functions of related ministries to avoid duplication and encourage synergies;
  - v. For improved governance of public institutions, there is the need to ensure, as much as possible, that appointments to boards of state-owned agencies are based on competence devoid of any conflict of interest.
- c. There is the need to empower and reposition NDPC to play its role more effectively in development planning through the provision of adequate financial and human resources, among others.
- d. Ensure policy alignment among real, fiscal, monetary, and external sectors.
- e. The group explored the relationship between the economic management apparatus, such as the Economic Management Team (EMT), the Economic Advisory Council, and the Economic Policy Coordinating Committee (EPCC) and recommended streamlining of these Committees and the establishment of stronger linkages among them to ensure more effective economic management.
- f. To ensure policy consistency with the budget, the medium-term policy framework, SONA and other such documents guiding national development, there is the need to ensure that major Government policies are approved by Cabinet before implementation. Individual ministers should be discouraged from formulating and implementing policies without Cabinet approval. Proposals before Cabinet with financial implications must go through the Finance Ministry.
- g. On the issue of encouraging policy continuity and consistency in line with the Constitutional provision on the subject matter, the group recommended the following:

- i. Government should continue projects of previous Governments
- ii. Link budgeting to planning
- iii. Improving the stature and technical capacity of the NDPC to be able to deliver on its mandate
- iv. Undertake frequent policy impact studies to assess effectiveness or otherwise
- v. Effectively engage relevant stakeholders prior to policy implementation, taking cognisance of implementation lags
- vi. Parliament should play a more proactive role in economic management rather than acting after the fact.
- vii. Provide regulations to support the implementation of Acts of Parliament relevant to economic management.
- viii. Given that our resources are limited, effective economic management requires that we plan effectively, prioritise our policies, programmes, projects and activities, and use cost-benefit analysis to inform priority setting.
- xi. There is the need to ensure that donor-funded projects are formulated within national strategies and priorities to avoid the running of parallel projects by ministries.
- x. There is the need to speed up the implementation of the Ghana Integrated Financial Management Information System (GIFMIS) to enhance accountability and efficient public financial management. More generally, there should be effective application of ICT in economic management
- xi. Given that the government's budget is the main tool for implementing development programmes and activities, its formulation should be properly institutionalised to ensure effective economic management. For example, the budget calendar should be clearly defined, well circulated and followed to ensure that proposed policies are rigorously screened before they find their way into the budget.
- xii. Enforce sanctions on MDAs and public servants who flout financial management laws such as FAR, FRR, and the Procurement Act to instil discipline in the public financial management system.

## *II. Public Sector Productivity (economic management capacity)*

- i. Strengthen the capacity of the public service for efficient and effective service delivery.
  - ii. Build strong and credible intuitions for the public service devoid of political intimidation and interference.
  - iii. Plug leakages in both revenue and expenditures to provide fiscal space:
- a. Streamline the GIPC and Free Zone incentives regime and enhance its monitoring to avoid abuse,
  - b. Address the issue of transfer pricing by multinationals
  - c. Strictly enforce relevant laws to prevent abuse.
- iv. Provide the environment for development-oriented employer-employee relationship. Ensure there is a fair risk-adjusted return on investment for investors as well as provision of good quality jobs for workers whilst ensuring that workers' conditions of service are competitive.
  - v. Rigorous analysis should be conducted of earmarked funds and the output should inform the review of these funds to reduce the rigidities they impose on the budget. There's a need to monitor the use of these funds to ensure that expenditures are in line with national priorities.
  - vi. Ensure a tariff regime that is cost-reflective to attract private investment into the utilities.
  - vii. Provide non-tax incentives rather than tax incentives to attract FDIs to the country. Where tax incentives are used, they should have sunset clauses to enable easy review from time to time. Non-tax incentives, including shortening the period to register businesses and provision of infrastructure such as roads, electricity, and water, reduce the cost of doing business, making firms more competitive.
  - viii. Ensure timely release of funds to MDAs to honour their financial obligations to avoid the creation of arrears and over-invoicing.
  - ix. Inadequate release of funds to MDAs does not promote alignment of expenditures to national priorities during the implementation stage.

- x. Avoid unbudgeted expenditures.
- xi. Streamline the use of internally generated funds by MDAs in accordance with the MDAs Retention Act to avoid abuse.
- xii. Wean off capable subvented agencies from government financial support to promote productivity of the institutions and reduce the fiscal impact of such organisations on the budget
- xiii. Overpricing in public procurement should be checked. The Ministry of Finance should ensure prompt payment to avoid over pricing by contractors.

### *III. Role of External Financing Agencies (IMF, WB, ADB, donors, etc.)*

- i. Our attainment of a lower-middle income status requires that we rethink our relationship with development partners and multilateral institutions such as the IMF, the World Bank and African Development Bank to address our external financing requirements for development.
- ii. Any decision to go on an IMF programme should be mindful of the pros and cons for such programmes. There would be a need to communicate the pros and cons of going to the IMF to the citizenry to avoid misinformation on the subject matter.
- iii. Going for an IMF programme provides a clean bill of health which may trigger disbursements not only from the IMF but also from other donors. It may also provide favourable signals to the market. They, however, go with negotiated conditionalities.
- iv. Not going for an IMF programme requires fiscal discipline and implementation of a home-grown programme which will signal confidence to the markets and the rating agencies. It provides an additional advantage of owning the home-grown policies.
- v. There is the need to rely more on domestic resource mobilisation and less on external financing.
- vi. There is also the need for revenue-generating SOEs to maintain sound balance sheets to enable them go to the market and borrow. There is the

need to ensure that such debt is not classified as part of public debt through the establishment of mechanisms such as escrow accounts and on-lending facilities.

- vii. Municipal bonds need to be quickly introduced and used in a manner that they are not part of the central government debt.

#### *IV. Encouraging the Spirit of PPP*

- i. The Government should encourage and accelerate the conversion of the PPP policy into law to ensure effective and productive partnership with the private sector.
- ii. There is the need to improve capacity to ensure that projects are well appraised before they become part of PPP.
- iii. The institutional arrangements around PPP should be strengthened to prevent abuse.
- iv. There is a need to identify bankable projects through the conduct of feasibility studies as part of the PPP process.

#### *V. Implementation, Monitoring and Evaluation*

- i. There is the need to strengthen the Public Accounts and Finance Committees of Parliament to play their oversight responsibilities more effectively.
- ii. Ensure synergy between the monitoring units of MDAs and that of the NDPC.
- iii. Policy communication should be strengthened within MDAs.
- iv. Strengthen the capacity of officers in MDAs for M&E
- v. Continuation of the M&E system at the Office of the President.
- vi. Need to mainstream internal audit functions of MDAs.

- vii. Establish a mechanism to effectively monitor and evaluate the use of statutory funds that are given to public sector institutions such as the DACF, NHIA, and GETFund.

#### *VI. Addressing bureaucratic hassles/inertia*

- i. Ministry of Finance is taking on too many roles which may constrain effective economic management. There is the need to support MoF to effectively deliver its mandate.
- ii. Need to establish a One-Stop-Shop for both local and foreign investors.
- iii. Streamline the activities of the Export Promotion Council, GIPC and Free Zones Board.
- iv. Strengthen the capacity of the Ghana Statistical Service to produce economic and social statistics to support planning and development.
- v. Establish electronic templates to simplify business processes.
- vi. Greater supervision from the ministries of the agencies under them.
- vii. Capacity building for civil servants.

#### *VII. Others*

- i. There is the need to identify and agree on our national interest and create an avenue to promote the realisation of the national interest to all Ghanaians. The national interest must be defended at all times, irrespective of political, religious, or ethnic affiliation. There is the need to promote the “can do” spirit and voluntarism.
- ii. Government should use its leverage as the largest borrower to influence interest rates downwards.





## Group Four Report

# Financial Markets & Long-term Economic Development

## 1. Introduction

The chairman indicated that the objective of the session was to review the structure and development of Ghana's financial markets and their impact on long-term economic growth with a view to making appropriate policy recommendations.

Among other things, the Chairman highlighted the following issues as critical to achieving the set objectives of the assignment:

- Re-emphasise the critical role of the financial sector in sustainable and inclusive growth;
- Synchronisation of financial markets with our long-term development strategy;
- Recognition of Ghana as a growing economy that requires infrastructure and other key complementary development programmes and projects to sustain the growth process;
- The need to ensure sustainable policy implementation to avoid taking ad-hoc measures that could lead to instability in the financial markets; and
- The need to develop innovative ways of financing projects in agriculture and other relevant sectors of the economy, especially the SMEs-dominant sectors.

He finally urged participants to expand the scope of the discussion to cover all sectors of the financial sector and ensure that issues were addressed dispassionately and in an open and frank manner.

## 2. Discussions, Comments and Key Issues Raised

Generally, the Group underscored the critical role of macroeconomic stability to enable financial markets contribute efficiently and effectively to long-term development of Ghana:

- A well-developed financial system fuels the real sector to facilitate sustainable growth.
- Ghana, a lower middle-income country (LMIC), can accelerate and sustain its

growth process primarily through an effective and efficient financial system.

- The Group, however, underscored the critical role of macroeconomic stability in ensuring that financial markets contribute effectively and efficiently to the long-term development of Ghana.
- The group identified South Africa, Singapore, Malaysia and Nigeria as countries whose financial markets could be considered good benchmarks for the strategic development of Ghana's financial markets. South Africa was generally accepted as the preferred benchmark country since its financial markets are well developed.

### *Foreign exchange market*

- The Group noted the fundamental structural imbalance between demand and supply of foreign exchange in Ghana. This exerts downward pressure on the cedi and places a constraint on the efficient development of the domestic foreign exchange market.
- In particular, high economic growth in Ghana since 2011 has brought in its wake an increase in economic activity and a correspondingly higher demand for imports.
- A study by Centre for Policy Analysis (CEPA), Ghana, shows that a 1.0 percentage increase in GDP generates a corresponding rise in imports demand by 1.14 percentage. Thus the expansion in the economy has led to an even greater demand for foreign exchange to fund imports to support that growth.
- It was noted that the foreign exchange market in Ghana faces constant supply challenges which need to be addressed.

### *Money Market*

- There is an active interbank money market. The Government's strong presence in the money market often puts upward pressure on short-term interest rates. The relatively high interest rates offered for T-bills crowd out lending to the private sector. Government should restructure its borrowing from short-term to long-term.

- Inadequate financial capital for lending affects commercial bank credit to the private sector and there is the need to increase the supply of such capital. The high reserve ratio of 11 percent is not encouraging and serves as a disincentive to the intermediation role of commercial banks.

### *Capital Markets, Insurance and Pension Funds*

- The need to create a development bank to support the productive sectors of the economy was emphasised.
- An equity fund could be created in partnership with the private sector to raise funds on the market through bonds to support infrastructure projects like the construction of airports, highways, roads and railways for mass transit.
- Pension funds could provide long-term finance for infrastructure development. The role of the pension funds subsector should therefore be critically examined and appropriate legislation introduced to leverage resources in the sector for growth-oriented projects.
- Government should take a critical look at the high lending rates, since they serve as an impediment to deepening the long-term segment of the financial market.
- The absence of long-term portfolio investment instruments on the capital market and the absence of an active secondary market for these instruments creates a huge challenge for pension and insurance funds managers.
- The capital market should be encouraged through appropriate policies to perform its role as expected to complement the intermediation function of commercial banks in order to generate adequate capital to finance long-term economic growth.
- There is the need to build capacity and create long-dated investment instruments to enable the insurance companies and pension funds managers to invest their funds in these instruments.

### *Leasing Market*

- Leasing provides long-term sources of funding for productive equipment and machinery (including computers) which are known to contribute immensely to economic growth and development. There is, therefore, the need to develop policies and incentives to promote leasing as an effective long-term financing tool.

### **3. Recommendations**

- A stable macroeconomic environment is a must. Government should ensure the creation of an enabling macroeconomic environment for business.
- Mining Contracts or Agreements Review: To ensure steady supply of foreign exchange in the economy, and to go beyond the seasonal one-off supply of foreign exchange from cocoa proceeds in October and December of every year, there is the need to critically review the retention provisions in the various mining agreements currently in place. The re-negotiation of these mining agreements should serve the best interests of the country. Some moral suasion and additional regulations or measures (for instance, mining companies should sell part of their foreign exchange proceeds to Bank of Ghana) may be required to ensure that the mining companies comply.
- Measures should be taken to reduce the demand for foreign exchange and limit the use of foreign exchange to critical imports.

#### **Bank of Ghana should:**

- Accelerate the automation of forex bureaux operations;
- Enforce already existing rules and regulations and enhance the supervision of the forex bureau segment of the market; and
- Review the licensing regime of forex bureaux by increasing minimum capital requirements.
- In line with the FINSSP II document, there should be an accelerated implementation

for the development plan of the interbank foreign exchange and money markets to ensure active primary and secondary trading.

- The interbank money market in Ghana functions quite well and it is in an advance stage and players are deriving the full benefits of the intended purpose for its establishment. However, the same cannot be said about the interbank foreign exchange market, though the Central Bank has provided a state-of-the-art dealing platform. There is the need for capacity building to develop the appropriate expertise for the interbank foreign exchange market to function as expected.
- There is the need to improve skills, accounting standards, technology platforms and risk management capacities to deepen the efficient operations of the foreign exchange market.
- Agriculture is a key sector in the growth agenda and there is the need to find innovative ways to support the sector. In this regard, a study of the Southern African case (the Zambian model) could help identify innovative ways of financing agriculture in Ghana.
- The provision of agriculture insurance will help mitigate the risks in financing the agriculture sector. There is, therefore, the need to fully implement the pilot agriculture insurance products already developed.
- The Export Development and Agricultural Investment Fund (EDAIF) should be authorised to release managed funds to Commercial Banks, Rural Banks and the Venture Capital Trust Fund to support the agriculture sector.
- Funds to these financial institutions should be increased to help expand credit to the agriculture sector and put in place monitoring mechanisms to ensure that the funds are actually applied to the intended activities. In addition, funds should be made available to other sectors of the economy, especially the SMEs sector, to support their activities.
- The regulatory agencies in the financial sector should strictly enforce the existing financial rules and regulations.
- Regulators should be made to make listing on the Ghana Stock Exchange a licensing requirement for all commercial banks, telecommunication companies, insurance companies and mining companies. This will enable us to improve on the stability of the local currency, as not all the profits will be transferred outside the country as dividends.

- Corporate Bond Issuance: There should be incentives in the form of tax rebates for corporate bond issuers as this will encourage more firms to issue corporate bonds to deepen the market.
- There should also be relief on interest earned on investing in corporate bonds by investors.
- Risk Management: The Central Bank should be looking at managing market and liquidity risks in order to reduce volatility in the market.
- Equity-based infrastructure funds companies should be allowed to have the mandate to engage other international and domestic financial institutions as shareholders in the fund.
- Municipal Bonds: Government should encourage the municipal authorities to issue bonds to self-finance projects which should be managed professionally. The raising of the funds, the construction of projects and the retirement of the bond should be handled by professionals to minimise the risk of default.
- Government should also implement the various provisions in the 2012 Financial Sector Strategic Plan (FINSSP II).
- Government should ensure that pension funds are channelled into long-term investments.
- Insurance funds, especially life insurance, should be channelled into long-term investment,
- Financial Inclusion: Bank of Ghana should properly supervise microfinance institutions and encourage self-regulation for microfinance institutions based on the Apex Bank model.
- Bank of Ghana should consider allowing Cocobod to directly get involved in the inter-bank foreign exchange market as a counter-party.
- Government should take steps to reprioritise the manufacturing sector and enhance the domestic production of some agricultural produce such as rice, tomatoes, poultry and manufactured goods through import substitution.
- There is the need for capacity building to develop appropriate expertise and skills needed for the various markets in the financial sector to function effectively and

efficiently. To this effect, financial and other institutions should be encouraged to invest in the sustainable development of their human capital and skills.

- Development of the interbank forex, equity and secondary bond markets should be a matter of priority
- Development of long-term financing instruments on the insurance, money and the capital markets must be medium- to long-term priority goals.





## Group Five Report

# Unlocking the Potential for Long - Term Economic Development

## 1. Introduction

The group considered the following key elements as pre-conditions for unlocking the potential for long-term economic development and transformation:

- Peace and security;
- Rule of law and justice
- People-centred approach to development
- Civic responsibility
- A long-term framework to guide national development

## 2. Key Issues in National Long-Term Development Framework

1. Having a unified long-term national development plan with a compelling vision that is constitutionally binding on all governments (must be translated into five-year medium terms to form the basis for annual budgets, and from where political parties will derive their manifestos). To that end, the group recommended a 25-year development horizon, subject to 5-year reviews. We must, therefore, have a Vision 2040 long-term plan.

The Group recommended that the long-term national development plan should be about:

- i. Cultivating positive national attitudes, a transformational culture and civic responsibility.
- ii. Investing in people (educational targets, skills development targets, health and sanitation targets, etc.)
- iii. Investing in strategic socio-economic infrastructure (e.g., roads, rails, ports, electricity, energy – a systematic tackling of the deficits, water and housing etc.);
- iv. Ensuring integrity, accountability and transparency (i.e., good governance) through strong institutions, integrity and accountability, addressing institutional corruption, efficient land administration, rule of law);

- v. Building a strong and resilient economy (good economic management, including economic linkages, and addressing the issue of national productivity);
  - vi. Strengthening the State to perform its core developmental functions
  - vii. Enhancing domestic private sector capacity and improving overall business environment with the capacity to partner with Government, direct foreign investors, and giving specific incentives and removing constraints in order to enter into key areas where they have comparative and competitive advantage);
  - viii. Building national implementation, monitoring and evaluation capacity supported by reliable statistics;
  - ix. Developing strategy for long-term financing
2. There should be an apex national institution that has the authority, independence, and capacity to facilitate the process of development, coordination of the implementation, monitoring and evaluation of the national long-term development plan. The National Development Planning Commission must be empowered to perform this function. Its funding and appointment of key technical personnel should be apolitical and its governing body chaired by the President. These must be supported by legislation. The constitutional provision that requires the President to submit a coordinated programme of economic and social development policies should be removed from the constitution.
  3. Strengthening the State to perform its core developmental functions: To that end, as a nation we should harness the best of national talents for both bureaucratic and managerial positions. We must aim at strong institutions, including ensuring clarity of roles and functions, and getting institutions to work. An efficient bureaucracy is a sine qua non for effective development
  4. A national vision should be anchored in selected high-impact flagship programmes and projects in which the country can develop comparative and competitive advantages. The following may be considered:
    - Building key infrastructure projects, such as highways, ports, ICT backbone
    - An integrated petroleum sector (oil and gas);
    - Agricultural transformation with special emphasis on agro-processing, cocoa processing, and exports;

- Efficient exploitation and value addition of the extractives industry (the non-oil industry). Minerals – (e.g. bauxite and iron ore);
- Tourism development
- Empowering the domestic private sector capacity to be an effective partner with Government, and direct foreign investors, and improving the overall business environment. There is a need to give specific incentives and remove constraints to facilitate implementation of flagship projects specifically and general private sector development.
- The private sector-state partnership/collaboration in Transformation: State-business engagements should pursue the following: getting inputs on medium- and long-term national development plans, obtaining feedback on how Government policies and programmes affect them, and supporting the design and monitoring of identified transformational initiatives.
- Developing a strategy for long-term financing: As a country, we cannot finance our development with short-term capital. There is, therefore, the need to develop long-term financing instruments and sourcing external private and official financing. Government should not necessarily be the main financier of infrastructure projects. It should ensure that such activities are being undertaken. There is room for identifiable key projects that are self-financing, which should not be allowed to burden Government. Also, there are many state institutions which have outlived their usefulness and must be restructured or folded into other existing institutions. Institutions that have the potential to be self-financing should be weaned off the Consolidated Fund as soon as practicable.

### Conclusion

The above processes should be informed by lessons from past development plans. It is important for the process to be non-partisan and the national development plan constructed in such a way that there would be national ownership. It will then become the standard for interrogating party manifestos which should reflect how political parties, if given the mandate, would prosecute the national development agenda.



## Group Six Report

# Post Forum Implementation & Communication

After extensive deliberations and consultations, the Group agreed on the following:

1. Government in all post-Forum processes should continue to explore ways of engaging the major opposition party, and all other relevant stakeholders that did not participate in the Forum,.
2. As part of efforts to consolidate the decisions and recommendations of the Forum, the group proposed the holding of a meeting with a smaller group of political leaders and other non-political key stakeholders to validate the decisions and recommendations of the Forum;
3. The group urges the Government to consider building a similar consensus around other issues of national importance, especially with respect to political governance, and it should initiate a process of involving citizens whose experience, insights and expertise can enhance economic policy management and national governance;
4. Establish an institutional framework for managing the post-Forum processes by forming an Implementation Advisory Group (IAG). The membership of the Group should include the Ministry of Finance, NDPC, and Bank of Ghana as representatives of State, and representation from the various constituencies represented at the Forum, such as the TUC, faith-based groups, the private sector (PEF/AGI), think tanks, CSOs, media, academia, political parties, traditional authorities, financial institutions, professional bodies, and co-opted members as and when necessary.
5. The IAG should have a secretariat, hosted by NDPC, with an independent budget but leaning on the socio-economic database, knowledge and skills of NDPC;
6. The IAG would support implementation and perform the following specific functions:
  - a). Oversee the translation of the decisions of the Forum into an actionable work programme with clear timelines for delivery of outputs and the monitoring and evaluation of their outcomes;
  - b). Feed the decisions of the Forum into the current medium-term development policy framework; this commitment should be reflected in the next economic policy statement and the budget;
  - c). Monitor and report on progress of implementation to stakeholders and the general public;
  - d). Serve as a communication link, proactively providing information to the public and responding to public queries. This is necessary to ensure that contradictions and inconsistencies are avoided in communicating the

decisions and outcomes of the forum while public interest in the dialogue processes are promoted and sustained;

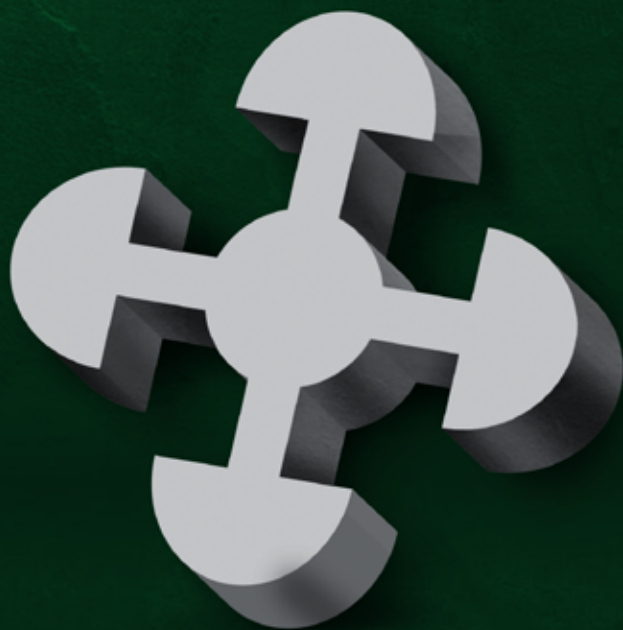
- e). Finalise the draft framework for monitoring and evaluation of implementation of the Forum's decisions and ensure its effective application.
- f). Continuously engage the stakeholders and the wider public in the implementation of the decisions of the Forum through periodic progress reports.

### **Institutionalisation of the Economic Forum**

The group recommended the following:

1. As part of efforts to promote inclusive participation of stakeholders in the national economic management process, the group proposed that the National Economic Forum should be modelled along the lines of the World Economic Forum and held as an annual event. Holding it annually will enable stakeholders to deliberate on progress and implementation challenges and continuously engage the wider public in the national economic management dialogue and processes;
2. The annual fora should be convened by the President through the NDPC as the organising body. It should be rotated across the 10 Regions of Ghana and conscious efforts should be made to attract the best of minds, experiences, influences and competences among Ghanaians, both at home and abroad. The annual Forum should also provide the space for deliberating on home-grown solutions to the nation's socio-economic development problems; it should also afford the opportunity for Ghanaians to contribute to the shaping of economic and social policies and their effective delivery in the short, medium and long terms. The timing of the Forum should be such that its decisions can feed into national policy and budgetary processes, as well as regional, continental and global dialogue.
3. The Government and its agencies, particularly the Bank of Ghana, should proactively share credible information on the economy that stakeholders require to make informed business decisions and sustain public confidence and interest in economic management processes.

# The Senchi Consensus







From May 13-15, 2014, 140 Ghanaians representing organised labour, Ghanaian private sector, professional associations, financial institutions, security services, the Judicial Service, traditional leaders, political parties, Parliamentarians, the clergy, policy think tanks, academia, civil society, and Government Ministries met in Senchi in the spirit of our shared interest and commitments for building a national consensus for economic and social transformation as well as our collective pursuit of inclusive and sustainable development.

We the participants further agreed on the following:

1. That the Directive Principles of State Policy (Chapter 6 of the 1992 Constitution) must continue to guide the national development effort, anchored in a long-term national development framework with a compelling vision.
2. That the long-term national interest should supersede all other interests.
3. That the State should encourage and promote indigenous entrepreneurship and continue to execute projects and programmes commenced by previous Governments.
4. Foster a state whose day-to-day management is supported by a professionally competent civil service working in an environment devoid of political victimisation and intimidation and where support for the Government is not interpreted as political affiliation.

Patrick Awuah presenting the Senchi Consensus at the closing session of the National Economic Forum.



5. It is imperative to strengthen the Public Accounts and Finance Committees of Parliament to play their oversight responsibilities more effectively; develop a mechanism for effective synergy and coordination between the monitoring units of Ministries, Departments and Agencies (MDAs), the National Development Planning Commission (NDPC), and the Office of the President.
6. That a mechanism to effectively monitor, evaluate and reform the use of statutory funds transferred to public sector institutions, such as the District Assemblies Common Fund (DACF), National Health Insurance Authority (NHIA), and Ghana Education Trust Fund (GETFund), must be established.
7. That Government should establish a One-Stop-Shop for investments, electronic templates to simplify business processes, as well as streamline the activities of the Ghana Export Promotion Authority (GEPA), Ghana Investment Promotion Centre (GIPC), and the Free Zones Board; it should also strengthen the capacity of the Ghana Statistical Service (GSS) and other statistics reporting agencies to produce reliable and timely economic and social statistics for planning, research and development.
8. The Ministry of Finance should as a matter of urgency review the targets set in the 2014 budget. The review must identify likely deviations and make proposals for plugging the resultant financing gap while the Bank of Ghana traces the implications of the revisions for monetary policy.



9. That a mechanism must be established to realign the budget whenever the economy is affected by unanticipated shocks.
10. Government must strengthen the regulatory authorities to protect consumers and ensure the enforcement of standards and fair competition.
11. Further steps must be taken to support Small and Medium-scale Enterprises (SME) in order to create jobs.
12. That further efforts must be made to improve the efficiency of tax collection as well as broaden the tax base and reduce recourse to the introduction of new taxes. The incidence of discretionary tax exemptions should be reviewed and reduced.
13. Bank of Ghana should expedite work on the assessment of the recently announced foreign exchange measures and take speedy and appropriate action to restore confidence and relieve the unintended consequences of the measures.
14. Consideration should be given to the amendment of the Bank of Ghana Act to set a ceiling on its lending to Government that is based on Government's revenue

collection in the previous year, rather than the current year as is currently the case. This should be separate from the ceiling on total net domestic borrowing by Government.

15. An investment programme to deal with the energy crisis must be put in place as a matter of urgency in order to propel growth, employment creation, competitiveness, and macroeconomic stability.
16. Government must take steps to revamp the manufacturing and agriculture sectors to encourage domestic production of some agricultural products as well as import substitutable manufactured goods.
17. Ghana needs accelerated implementation of the current plan to develop the interbank foreign exchange and money markets to ensure active primary and secondary trading.
18. For purposes of encouraging high national productivity, Government, labour and the private sector must collaborate to institute a management and labour productivity crusade, including the introduction of a Service Charter that ensures that remuneration is matched with productivity.
19. Take steps to develop long-term financing instruments to minimise reliance on short-term financing.
20. That a clear and simplified policy framework to help grow and migrate the informal sector to the formal sector is urgently required. As such, steps must be taken to simplify business registration process and non-mandatory SSNIT contribution up to a minimum number of employees by informal sector operators.
21. We, your fellow Ghanaians, recognise that socio-economic development is a journey, not a destination. As such, efforts to build a national consensus and long-term plan must also take the mode of a journey. We therefore recommend that the National Economic Forum be institutionalised and that a committee be established to explore various options and models for undertaking this process of institutionalisation.
22. Government must take steps to galvanise consensus around other issues of national importance, especially with respect to political governance and nation-building matters, and should initiate a process of involving citizens whose experience, insights and expertise will enhance economic policymaking and national governance.

# Appendices

WELCOME REMARKS BY  
**VICE PRESIDENT KWESI AMISSAH ARTHUR**  
13TH MAY 2014

I wish to welcome His Excellency the President and all participants, especially the former President, who is participating in this national enterprise at very short notice.

The idea of a National Forum developed during the President's preparation for the SONA when we met three groups representing the Ghanaian private sector to discuss how the macroeconomic challenges and our plans for resolving them were impacting on their businesses. We probed them about what Government could do to support their operations and the private sector to create jobs.

These were private sector operators, overwhelmingly Ghanaian, who addressed their problems in a national context.

It became obvious that a general conversation (not a dialogue) was needed and would benefit from the inclusion of the social partners, political organisations, traditional authorities, religious leaders, etc.

Given that we needed to do it as soon as we could, we have had a very short period to plan for this meeting. Keeping in mind the attention the Football World Cup would attract among our people, the period mid-June to mid-July was out.

Also, in discussions with the social partners, the period after 17th May would be inconvenient, because of travel obligations.

Therefore, if the planning is not optimal, blame me but forgive the Planning Team, which has done a marvellous job of addressing the challenges of organisation in just a few weeks.

The major weakness relates to position papers. We decided that we would not impose any views on the Forum. A concept paper has, however, been distributed to guide the discussion.

But the purpose of the Forum is to discuss how to turn the short-term challenges into an opportunity for the future, for the medium-term.

The short-term measures to restore fiscal balance were first unveiled by the Finance Minister in his statement to Parliament on 1st April 2014. That brief is being further

developed and refined to address the longer-term opportunities for the economy. At the request of the President, we have circulated the latest version of the “Home-Grown” plan to the Group Chairs.

This will confirm that the short-term actions have been developed. We are determined that short-term considerations should not undermine considerations for the economy’s longer-term prospects.

Selection of participants has been done carefully for balance; that there will be no Government domination, that we give an opportunity to people who have expressed views on the economy to elaborate them in discussion with their peers.

To allow for an honest, frank and undiluted discussion, we have agreed with the Chairpersons, Facilitators and Rapporteurs that they will encourage openness and the free expression of views. The rules for the conduct of meetings such as this were originally developed in 1927. Referred to as the Chatham House Rule, it states: “When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the Speaker(s) nor that of any participant, may be revealed”.

Finally, one innovation of this Forum is the decision to create a Group that will develop a post-Forum Action Plan to maintain the momentum of the inclusiveness in monitoring the progress of the agenda. The responsibility for management is reserved for Government, but the people who have participated and those who are keenly interested in the progress of the economy, need to be assured that the commitment is still there and actions are proceeding according to plan.

KEYNOTE ADDRESS BY  
**HIS EXCELLENCY JOHN DRAMANI MAHAMA**

PRESIDENT OF THE REPUBLIC OF GHANA,  
AT THE NATIONAL ECONOMIC FORUM  
[SENCHI- AKOSOMBO TUESDAY, MAY 13TH, 2014 ]

The Vice President of the Republic of Ghana  
Her Ladyship the Chief Justice  
H.E. former President Jerry John Rawlings  
Secretary General of the TUC  
Senior Citizen and renowned Economist Mr. Kwame Pianim  
Paramount Chief of Akwamu and the Queen Mother  
Distinguished Guests  
Ladies and Gentlemen

It is a pleasure for me to be here today, but it is an even greater pleasure for me to welcome you here, to this gathering. Your presence here is a positive indication of a collective desire to rise above the petty politics that so often leave us feeling divided so as to contribute to this national dialogue about ways to support the transformation of our economy.

Let me first start of by admitting that like so many good ideas, the idea for this forum is not a new one. It has been well tested, and it has, in its previous incarnations, proven itself to be a useful tool in planning and policy-making.

The organisation of this forum represents the continuation of a tradition. In 1997, the NDC held the first-ever national economic forum. In 2001, the NPP successfully replicated it in the form of a national economic dialogue. In fact, tomorrow, the 14th of May 2014, marks the 13th anniversary of that dialogue, for which Ghanaians from diverse backgrounds came together to deliberate on the issues around which we, as a Nation, must consider and find consensus in order to move forward.

I am proud to say that I participated in these earlier economic consultations, first as a Deputy Minister of Communications in the then-NDC Government; and then, again, as a Minority Member of Parliament during the then-NPP Administration.

I found those economic dialogues useful in the sense that they allowed a broad spectrum of expertise to be brought to bear on our economic policy formulation.

Those forums afforded us the opportunity to hear other voices. Those forums promoted understanding and though we did not miraculously find unanimity, we were able to



forge a consensus behind critical economic policies such as the HIPC Initiative and the Poverty Reduction and Growth Strategies (PRGS) of the past decade.

As a government, we remain convinced that forums such as this are one of the surest ways to engage the public directly. Forums such as these are one of the surest ways for us, as a Nation, to chart a credible and lasting course for our collective development.

My Fellow Citizens,

One of the most dangerous conditions that we as a Nation can allow to exist is cynicism. We need to speak in order to be heard. We cannot remain silent on issues that affect the Nation. We need to talk with one another, rather than at each other. And we need to listen, to be thoughtful in our consideration.

We will, of course, have divergent views. And even if we agree on ideas, we may differ in our opinions on how to implement them. But what we do share, what we will always have as our common ground is our intention- we all want to see Ghana succeed and to that end, we all want to find a solution that is practical, a solution that is sustainable.

It is in this spirit of inclusiveness that we have invited you here today, and that you have also graciously accepted. The circumstances under which this forum is being held make it markedly different than the previous two economic forums.

Firstly, Ghana is no longer just another developing country; we are classified as a middle-income country. Truly, we are currently at the lower end of the middle-income spectrum, but we are working hard to consolidate this new status. We are working hard so that soon enough, in the foreseeable future, we can attain upper-middle-income status and, shortly thereafter, graduate into a high-income status.

Secondly, we are in the midst of overcoming various challenges associated with this new national income status while at the same time striving to develop the institutions that would enable us grow and transform our economy at this time of great volatility and uncertainty in the global economy.

Three aspects of these challenges to which I've referred have remained particularly persistent over time. These are:

- the rising debt levels, as well as the associated burden of servicing them;
- the disproportionate amount of government revenue that goes into the payment of salaries and benefits of public sector workers and pensioners; and
- the resultant high budget deficits.

Every government that Ghana has had over the course of the last decade has had to confront some of these challenges. This alone implies that they are of a complex

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origin, that they are structural problems that have taken years, in some cases decades, to manifest. It implies that they will require the sort of solutions that we have gathered here today to create- solutions that have been subjected to the scrutiny of many; solutions that have been shaped by the voices, the hands and the vision of many.

My Fellow Ghanaians,

As you approach your discussions, I want you to bear in mind that despite these challenges, we have managed to steer the economy to some of its highest growth rates on record. In 2013, growth was a respectable 7.1%. That same year, the growth rate for the world economy was 3.0%; the growth rate for emerging economies was 4.7%; the growth rate for sub-Saharan Africa average was 4.9%, and the growth rate for the advanced economies averagely was 1.3%. In the medium to long term, we expect to raise this to an average annual growth rate that is above 8.0%.

2013 growth of 7.1% is impressive against a backdrop of reduced commodity prices for our major exports gold and cocoa and an energy crisis triggered by disruption of gas supplies from the West African Gas Pipeline.

As a government, we have done—and will continue to do—our best to deal with the aforementioned challenges. Some of the measures that we adopted have imposed unintended hardships—but these hardships are temporary and will not last beyond the short term. Already the positive results are beginning to show in the form of a slowdown in the growth of the wage bill, and other indicators against the background of a relatively strong economic growth.

The wage bill (excluding arrears), as a share of total tax revenue, declined steadily from 65% at the end of 2012 to 57% at the end of 2013. We are however still far from achieving the target spelt out in the West African Monetary Union convergence criteria of 35%.

In August of 2013, government hosted a forum of all key stakeholders in Ho in the Volta Region to deliberate on strategies for sanitising the wage bill in order to free resources for other critical investments, such as education, health and infrastructure. That forum concluded with a communiqué of 18 very important recommendations.

Among those recommendations were the following:

That to ensure the sustainability of the single spine pay policy, expenditure on personal emoluments should be subject to the overall budgetary constraints of Government. (This requires that Government and organised labour should meet periodically to review the single spine pay policy and its implications for the short-, medium-, and long-term condition of government's finances).

That there is the need to remove wastage and seepage in public pay administration, including having a human capital database linked to the payroll as a way of ensuring that all ghost names are permanently removed from the system. And, as I announced on May Day, we are about to embark on a vigorous exercise to discover and remove ghost names and to severely sanction any persons responsible for the insertion of such names.

- That pay should be linked to work and productivity in the public sector based on target setting and performance.
- That the relevant agencies should develop a national productivity policy with indicators to guide public sector/service pay administration, and
- That subvented agencies that have the capability to exist on their own should be identified and gradually weaned off Government subvention without delay.

Not long after that forum, the Minister of Employment and Labour Relations put together an advisory committee for the purpose of implementation. I am happy to announce that the committee has completed the first phase of its work and submitted its report to the Economic Management Team, which is currently reviewing the report prior to its submission to Cabinet for further consideration.

We have also put in place a new strategy to effectively manage our debt. The goal is to bring the total debt stock and the associated servicing to more manageable levels. A key element of this strategy is to separate loans that could be commercially self-financing from those that must be financed from general government revenue.

The Ghana Infrastructure and Investment Fund is one of the many tools we are using to pursue this strategy. Cabinet has already given its blessing to the Fund, and it will soon be presented to Parliament for their review and endorsement when parliament reconvenes from recess.

Another strategy is to implement effective prioritization in the selection of activities or projects to be financed through loans or other forms of credit. Selected projects must be determined to be of prime importance to our Nation's advancement and progress.

Fellow countrymen and women,

Since 2013, we have undertaken several measures to restore macro-economic stability and achieve fiscal consolidation. These measures were scattered in many policy directives including the budgets of 2013 and 2014. There were some measures also included in the mid-year review of last year's budget, 2013. We realized that in view of the scattered nature of these policies and measures, they did not promote a fair understanding of what we wanted to achieve.

In early April therefore, we decided to aggregate all these measures and initiatives into a single document and presented it to the people of Ghana through their representatives of the people of Ghana in Parliament. A more detailed version of the document that was read in Parliament was later presented to the IMF as part our Article IV consultations that it undertakes with all of its member states.

I wish to take this opportunity to state, with great emphasis, that as President I have not taken any decision to enter our country into an IMF programme. What we are concentrating on is the preparation of a homegrown strategy of fiscal consolidation. It is our expectation that both our domestic and our international partners will join us in the implementation of this strategy. The briefs that were presented to Parliament and then later to the IMF under our Article IV consultation represent work in progress and would be finalised through broad consultations, such as the forum we are holding today. Later today, Minister of Finance Tekper will make a presentation in which, in which I am sure he will highlight some of these initiatives.

It is a tragedy of our very polluted and extremely partisan political environment that such a simple misunderstanding of the relevance of this innocuous document should become the basis for a major political player to stay away from this all-important national exercise.

Those of you who have shared your views under the umbrella of hash tag Bring Back The Cedi (#BringBackTheCedi), you will be pleased to hear that the Bank of Ghana initiated a number of measures to stabilise the cedi and foster the overall stability of the financial sector, including controlling inflation and the exchange rate.

My Fellow Ghanaians,

I want you to know that as President it is with great interest and an open mind that I always listen to your views. I am aware of the concerns raised in various quarters of the population about the effects of these measures by the Central Bank. As a government we believe that the actions taken were in the best medium-to-long-term interests of the country.

Still, as promised, a review of those measures was scheduled to take place after three months of implementation, and we await the results of that review from the Bank. It is our hope that the review addresses the unintended implementation flaws and allays whatever fears or anxieties the public in general and the investor community in particular have expressed out the measures in order to foster the broad macroeconomic stability that we all so very much desire.

In this year's State of the Nation Address, I spoke of the fundamental flaws that we have in the structure of the economy and I announced some strategies that we will

implement immediately to rectify them. Since then, I have established a unit in my office to track the implementation of these measures and I fully expect to be able to report positively on them in my next State of the Nation Address to Parliament.

Right now, we turn our attention to you, those whom we serve, the Ghanaian public, to also hear what you have to say and to explore how that can help advance our collective economic progress.- the voices of those present represent businesses, non-governmental organisations, professional associations, academia, traditional leaders, and many other segments of our total population.

Over the course of the next four days, we expect to tackle some of the challenges that have defied successive governments over the past decade, be they NDC or NPP.

Every government, for example, has succeeded to various degrees in attaining macroeconomic stability but as of now, none has been successful in finding a way to sustain it. Indeed, almost every government leaves office with a less-than-desirable macroeconomic situation, and the government that will succeed it then spends the next 1 to 2 years bringing the economy back from the brink. It is a vicious cycle that we must break. It is clear that we know how to attain this, but now, we must learn how to sustain it.

We hope that this forum would help us do precisely that.

But as important as the macroeconomy is, we must also look at the bigger economic picture and devote a fair amount of time to the other side of the economy too, namely the micro, or productive sector. [That is where the action is.]

We are especially interested in how best the private sector can play its role not just in profit making but in its contribution to the overall national and human development through job creation and decent work. We need to work with the private sector as partners.

Recently, I held a series of dialogues with representatives of the private sector with a view to understanding how government can assist them to grow their businesses. I have received the minutes of those meetings and have requested that they be sent for validation and commentary by those who were present so that together we can fashion the next steps forward. But even before the completion of this exercise government has activated support to the pharmaceutical, poultry, rice and aquaculture sub-sectors.

Preparations are also well advanced for the launch of a major campaign to promote the consumption of products made in Ghana

We cannot talk about the private sector without addressing the issue of credit – both in terms of access and of affordability, especially among SMEs. Although these SMEs account for over two-thirds of employment in our country, their further expansion

and further job creation remains constrained by access to affordable finance, limited markets and of course, infrastructure bottlenecks, among other things.

As a government, we have put in place a number of interventions, but we will require more than specific interventions, whose effects tend to be limited. What we require is a broadly sound and predictable environment that will allow new businesses to rise and existing ones to thrive.

Beyond credit, I would like for you to consider less-explored issues such as the logistics sub-sector, which is critical to our agenda of socio-economic transformation. Logistics, including transportation and storage, form a core part of supply chain development, which in turn is critical to value chain development. How all these elements come together to create a sound and efficient framework for economic growth and social development is something we are very much interested in having explored during the course of this dialogue.

The days of sole proprietorships and sole director companies are over. In this first decade and a half of the 21st century, we are witnessing how the playing field is being taken over by the creative and innovative, and how it is being redefined by cross-fertilization through joint ventures, mergers, takeovers, public listings and the such.

The Ghanaian private sector must be bold and adventurous.

Now is the time.

We must enter into partnerships, if need be, to raise the capital and acquire whatever expertise we do not possess in order to grow our businesses. We must be willing to take risks. We must be willing to explore options other than those with which we are familiar.

My Fellow Ghanaians,

We look to you to work with us, in the spirit of nationalism and patriotism, to collectively identify some of these options. We look to you, in carrying out your deliberations, to take a critical and deeper look at the statistics with which we have become increasingly familiar because at first glance they may sometimes only tell a small portion of a more complex story.

Allow me to share with you an example of this. In recent times, thanks to the tireless efforts of our farmers, we have been fortunate enough to have cocoa production rise steadily to record levels, averaging at least 850,000 tonnes per year.

This is nearly 40% higher than the 581,000 tonnes we produced in 1965, which at the time was a record. However, in per capita terms, cocoa output in recent times amounts to only 33 kilos per Ghanaian, compared to 75 kilos per Ghanaian in 1965.

If you therefore concentrated on the statistics only with respect to the tonnage, you will see a dramatic increase in production, but if you look at the per capita, our production per capita is lower because of the increased population. Indeed, since 1984, real cocoa prices on the world market have been declining by an average of over 1.0% per year. If ever there were a case for us to diversify our economy and add more value to our primary commodities, this would be it.

But let me state clearly – and to assure our farmers, in particular – that diversification does not mean that we will leave them and others behind. In fact, diversification and industrialisation offer a unique opportunity for us to make optimal use of primary commodities like cocoa.

This will not only raise the incomes of farmers, but it will also create employment and by so doing help raise national income and therefore reduce poverty. But in order to attain –and sustain– these goals, we need a road map.

My Fellow Citizens,

Your presence here today will enable us to work together towards the creation of such a map. As I have already noted, we have begun a lot of work in this regard, but we believe that it is time for us to create a platform that is non-partisan; it is time for us, as a government, to create a specific space within which the people of Ghana can address us, and each other. It is a space, a platform, for you to share your views, experiences and aspirations on the direction of economic policy.

The time is now for us to come together, it is a time for us to work together.

These are challenging times, but we have gone through times that were even more challenging than these and we have survived. These are also promising times, and I have every faith that together we will emerge from these challenges more victorious.

We will emerge from these challenges stronger and better. We will attain the success that we seek--and in so doing, we will find the ways and means to sustain it and I believe that Ghana will be a more prosperous nation.

My Fellow Citizens,

I thank you again for your presence and participation. I wish you fruitful deliberations and I look forward to meeting you again at the end of this conference.

May God bless you.

And may God bless our homeland Ghana.

NOT JUST ANY NATION:  
GHANA'S PROSPECTS FOR ECONOMIC  
TRANSFORMATION

DR. K.Y. AMOAKO

PRESIDENT, AFRICAN CENTRE FOR ECONOMIC TRANSFORMATION  
(FORMER EXECUTIVE SECRETARY, UN ECONOMIC COMMISSION FOR AFRICA)

His Excellency the Vice President of the Republic of Ghana, Mr. Kwesi Bekoe Amissah-Arthur; his Excellency the former President of the Republic of Ghana, Mr. Jerry Rawlings; her Ladyship the Chief Justice of the Republic of Ghana, Mrs. Georgina Woods; honourable Ministers and Parliamentarians; members of the Diplomatic Corps; distinguished guests, ladies and gentlemen; thank you for the invitation to be here today. I am honoured to speak before such an esteemed audience and to take part in this National Economic Forum, which comes at a critically important time for the country we are all proud to call home.

As Ghanaians, we are the heirs to a great legacy of African leadership, vision, and action. It is our responsibility to ensure that legacy and carry it forward.

**This is what brings us here today.**

At the risk of giving away my age—which my youthful exuberance no doubt hides!—I can't help but recall another situation, more than 30 years ago, when I lived in Zambia as the resident representative of the World Bank. At the time, Zambia faced a serious economic crisis, characterized by severe shortages of foreign exchange, debilitating subsidies, artificial price controls, and huge parastatal losses.

The country's powerful mining union was ready to strike. The private sector was in a state of despair. President Kenneth Kaunda called only the third national convention in his country's history, an attempt to bring everyone to the table—union heads, party leaders, the private sector, civil society. Their goal was to agree on a framework for reform, a plan to put their country back on track.

I had the opportunity to participate, behind the scenes, in those deliberations. And what I remember was a diverse cross-section of country stakeholders coming together for the greater good. The mining union did not strike. The state agreed to liberalize prices, reduce subsidies, and carry out interest and exchange rate reforms. The private sector became hopeful.



My point is that I witnessed every major player who had a say in that country's economic future unite in the face of crisis, sacrifice their self-interest, and make the tough decisions. It wasn't easy, but it was necessary.

### **Ghana's Economic Crisis in Context**

We all know why we are here. Ghana faces extensive economic difficulties, fuelled by major macroeconomic imbalances that pose serious implications for sustained growth. Fiscal deficits remain high. Rising public debt, energy subsidies, and a high public sector wage bill threaten macroeconomic stability. Inflation has jumped into double digits, as have interest rates, pushing up the cost of credit. Some are forecasting economic growth to drop below 4 percent within a few years.

The country's current fiscal imbalance, if maintained at current trends, is expected to result in an "untenable domestic debt position" in as few as three years.

These numbers and trends are alarming, and they require an aggressive response. On this, we all agree. The government recently announced new measures intended to reduce public sector expenditure and improve revenue generation, such as expanding oil production, boosting investments in agriculture, and increasing the value-added tax while also broadening its coverage base. We should heartily welcome these measures and build upon them.

After all, any nation in economic distress must take the necessary steps to turn things around.

### **But Ghana is greater than that. We are not just "any nation."**

We are the first country south of the Sahara to reclaim our right to sovereignty. We are the ones others looked to for hope, as an example of independence to come. We are a nation visited by American presidents and English monarchs because, as Barrack Obama said, we show the world "a face of Africa that is too often overlooked." We are a nation of stable democracy, of peaceful transfers of power, of adherence to the rule of law, of respect for civil society, and of impressive rates of economic growth. This is the legacy that's on the line.

This is what brings us here today—to not just turn things around, but to also aim higher.

The economic difficulties we face could seriously undermine the achievements Ghana has made by weakening a strong society. But they also threaten to undermine all that Ghana is still capable of achieving.

Undoing past gains is bad enough. Sabotaging future potential is even worse, because Ghana's outlook remains bright. We are blessed with a youthful and growing labour force, and with abundant land and agricultural resources, many of which, such as raw cocoa beans, provide us with a powerful comparative advantage in exports.

We are blessed with natural beauty that drives tourism and the lucrative leisure travel industry. We are blessed with highly sought natural resources: oil, gas, and valuable minerals. We were the Gold Coast for a reason. We are blessed to be Ghana.

We are a nation with a track record of achievement, but also of vast potential. The challenge before us is to get to a place where we are able to more fully realize that vast potential.

This, my Countrywomen and men, is what brings us here today.

### **The Transformation Story and Ghana**

We know that Ghana has been growing. That's the good news. But we also know that it's not enough. The economy grew from its average of 5.3 percent in the 2000s to 14 percent in 2011, but extremely favourable commodity prices underwrote much of that growth. During that peak year of 2011, for instance, our manufacturing sector contributed only 7 percent to GDP.

The real long-term challenge for Ghana, as with most resource-rich African nations that have experienced growth of unequal or unstable nature, is to figure out what's necessary to maximize the value of its resources, stabilize and diversify its growth, and ensure sustainable and equitable development.

I founded the African Centre for Economic Transformation, or ACET, in Accra in 2008 to help African governments do just that. Our goal is to become Africa's unmatched resource for the analysis, advice, and advocacy necessary for countries to transform their economies, not just grow them.

What does that mean, in practical terms? It means that governments, to ensure that growth is sustainable and improves the lives of the many, need to address their structural weaknesses, and deliberately and vigorously promote economic transformation.

### **We call that "Growth with DEPTH." D-E-P-T-H.**

The D stands for diversification of production and exports; the E for export competitiveness; the P for productivity gains; the T for technological advances; and the H for human wellbeing—all brought about by expanding formal employment and raising incomes. This is ACET's recipe for the future of sound African economies. This is our blueprint for a country like Ghana to realize its vast potential.

Earlier this year, we released our flagship Africa Transformation Report. The report

is the culmination of a three-year research program that looked systematically at transformation as a broad framework for balanced and sustainable growth. It also puts our blueprint—Growth with DEPTH—in empirical terms via the African Transformation Index, a key feature of the report. The Index provides a comparative baseline to measure the performance and progress of African countries on the five DEPTH attributes.

Let me briefly share where Ghana stands...but first, a warning—the news is not very good.

We studied 21 African countries. According to the overall composite Transformation Index, Ghana ranked 16th. This is further evidence that rapid economic growth, like Ghana has experienced since 2000, does not necessarily translate into structural transformation. Even worse, there's a notable negative trend.

We calculated scores for every country going all the way back to 2000. That year, Ghana ranked 9th on the overall transformation index. Ghana's plunge from 9th to 16th was the largest drop since 2000 among all 21 countries in our study.

On the five individual DEPTH attributes, Ghana's rank among its peers is equally eye-opening. Keep in mind, the rankings for each attribute are among 21 total countries.

On Diversification, we rank 17th, down from 8th in 2000. The current 7 percent share of manufacturing in GDP, which I mentioned earlier, is well below the world average of 16 percent. It's also below the sub-Saharan average of around 10 percent. Ghana's economy remains stuck in extractives and primary products.

On Export competitiveness, we rank 7th. On the surface, this number seems strong. But when compared to 2000, when Ghana ranked 2nd overall, we see another troubling sign of decline.

- On Productivity, we rank 12th.
- On Technology, 20th.
- And on Human wellbeing, we rank 8th. This otherwise solid ranking is also tempered by troubling underlying data, however. For instance, less than one quarter of Ghana's labour force is in formal employment.

I'm not trying to be an alarmist. This is the reality before us. And let me make a quick point: the Transformation Report, from which these numbers derive, is not "just another report." It's the first of its kind. It's comprehensive. It's objective, and data-driven. It's a benchmark for nations to measure their progress. Those are other people's words, not mine. And many have endorsed it. Jim Wolfensohn, the former president of the World Bank, called it "an extraordinary report." The Economist

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praised it for being “grounded in reality.” The New African magazine wrote, “The report could readily be used to shape the strategies of individual African nations.” AfDB head Donald Kaberuka said it is “insightful, useful, and timely.” And President Ellen Johnson-Sirleaf said the report is proof that ACET is an institution that gives “new meaning to African ownership of African destiny.”

Of course, I’m proud of it, and I stand behind it, but the point is that its findings are meaningful and have been strongly supported. It’s not just another report. It’s a reflection of economic reality for Africa, and as some have called it, a game changer.

It’s a wake-up call for Ghana.

### **How We Move Forward**

So that brings us to the big question: If it’s this bad, how do we fix it? What do we do? We take it one step at a time. And we follow the signs in front of us.

We know, in general, what it takes to transform. Other countries have done it, most notably in Asia. As part of ACET’s study, we considered those countries but we also looked at the countries in Africa that have already started down the path successfully, such as Mauritius and South Africa. We found many lessons from which to draw, but I want to share the five most important ones for Ghana. This is how we get on the right track.

- First, we must have a plan. A unified national vision—developed through broad consultations with the private sector, civil society, think tanks, and forums like this one—is imperative to guide a transformation strategy.
- Second, we must be consistent. Transformation is a long-term process. It can take 20 or 30 years. Frequent shifts in strategy or abrupt policy changes impede progress. The vision needs to transcend politics.
- Third, we must work together. Active collaboration between the state and the private sector is at the core of economic transformation, and that means regular contact between government and business interests—and shared goals.
- Fourth, we must coordinate closely. Successful transformation strategies cut across ministries, agencies, and organizations. There is a demonstrated need for entrusting coordination oversight to a single individual or agency that can serve as a traffic cop. Working together is one thing. Working together productively is the key.

- Fifth, we must focus on core state functions. Successful transformation demands that the most important state functions be performed well, particularly sound macroeconomic management. In short, the state must manage the economy to enable businesses to flourish. Transformation is not driven just by the state or just by the private sector—it’s the combination of both.

Now, let me back up a moment, because we shouldn’t put the cart before the horse. This fifth lesson leads me to the most important point I’ll make today.

I just described the ways Ghana can get on track for transformation—which is a necessity—but we can’t lose sight of the fundamentals, those core state functions that enable a vision for transformation to take root.

Above all else, that means getting Ghana’s macroeconomic policies back on track, and fostering an environment that is conducive to economic activities and entrepreneurship, particularly by private business. According to the findings of the Transformation Report, this requires policy action on many fronts, specifically:

- Pursuing fiscal and monetary policies ensuring that their impacts on inflation, wages, interest rates, and exchange rates promote across-the-board growth— in GDP, jobs, and exports.
- Planning and managing public spending, so that a healthy balance between short-run consumption and long-run investment is a priority.
- Placing stronger oversight on ports and customs, but with more simplified procedures, to move goods in and out of the country more efficiently.
- Making public procurement deliver value for money by reducing corruption, which not only wastes precious financial resources, but undermines trust and public confidence.
- And finally, streamlining regulation to encourage entrepreneurship, innovation, and investment; the only losers will be corrupt officials.

Given our current situation, let me mention very briefly some of the actions we urgently need. First, we must get government expenditures under control and avoid overreliance on tax increases. Second, we must ensure value for money in procurement through more transparent practices: Third, we must establish or strengthen formal institutions or processes, including improved governance of state-owned enterprises. Fourth, we must have a clear exports strategy that involves identifying “low hanging

fruits “and removing the policy, regulatory, and other bottlenecks that impede their expansion. And we must proactively provide government support to such products and sectors, while avoiding cronyism and patronage.

### **Prospects for Transformation**

Once we get the fundamentals in order, then Ghana will have ample pathways to transformation. As I previously noted, we are a country blessed with abundant resources, be they natural, land, or labour. These resources—and our own proud history of achievement—offer us exciting prospects for transformation.

- For example, cocoa offers opportunities to increase export earnings by improving yields and moving up the value chain into intermediate processing. Since Ghana is the world’s second largest producer of raw beans, we should be reaping more of the profits.
- With more than one million hectares of land suitable for oil palm, Ghana has great potential to increase both its manufactures and its exports to regional and global markets.
- Ghana’s horticultural exports, led by pineapples, yams, and bananas, can extend to mangoes, citrus fruits, melons, and avocados. Rice, sugar, meat, and poultry all offer increased processing potential for domestic and regional markets.
- Our extractives industry gives us opportunities to harness natural gas to generate power, to develop ancillary oil and gas services, and to produce petrochemicals.
- And perhaps most promising are the prospects for light manufacturing, which has yet to take off in Sub-Saharan Africa. Light manufacturing has been a crucial stepping-stone for most successful developing countries, particularly in Asia, and most notably in China. Now an economic powerhouse, China is looking to Africa to relocate manufacturing jobs. By the end of 2012, China’s investment in Africa’s manufacturing industry had reached \$3.4 billion US dollars. Other African countries, such as Ethiopia and Rwanda, are leading the way by targeting specific sectors as a source of foreign investment in light manufacturing industry and jobs. Ghana must get on board this train.

These are just a few of the ways that Ghana can excel. This is just some of the potential that transformation can offer. And this is the opportunity that we have before us, at this forum. To begin to make the vision of transformation a reality. But it takes courage, commitment, and a willingness to work together. It takes compromise, and it takes sacrifice.

I began this discussion by recalling my witness to Zambia's national economic forum 30 years ago, when the country's political and economic leadership came together and made the hard choices for the greater good. What I didn't say, and what many of you probably know, is that within a few years Zambia abandoned the pro-growth strategy that its government, private sector, and labour leaders agreed to. Amid painful inflation and other corrective shocks, the political pressure became too much. The political will for structural change dissipated, and Zambia fell into an economic abyss for two decades.

Zambia's experience provides us with a cautionary tale, but I am an undying optimist at heart, so let me conclude on a more hopeful note.

In the 1980s and early 1990s, Brazil suffered from crippling stagnation and hyperinflation. As the former head of Brazil's Central Bank put it, "Imagine that the cost of your food and clothing went up by 40 percent every month." It seemed outlandish to imagine Brazil was anywhere near economic stability, much less growth. In 1995, Fernando Henrique Cardoso was elected president, and his government, an alliance of his own moderate party and two right-wing parties, embarked on a decade of structural reforms and austerity measures. These moves put Brazil on a new path, and by the mid-2000s, the country was seen as an emerging economic power. Cardoso's successor, Lula da Silva, chose to maintain the core policies of his predecessor, despite da Silva's leftist background. As a result of this strategic stability, Brazil continued to increase GDP per capita, grow production for exports, boost employment, and even expand social welfare.

Brazil became one of the new century's great economic turnarounds. It also shows how a long-term strategy of transformation can benefit a country economically if it's supported by national leadership across party lines.

### Conclusion

A successful transformation strategy is a shared vision, an ongoing commitment to progress that acts as a compact between leaders and the citizens they are elected to look out for. We have many reasons to be proud of our democracy, and of our democratic reforms. But in the multi-party environment that we have today, there is too often a surplus of politics, and a deficit of ideas. Let's ensure that our conversation to rebuild Ghana's economic future does not fall victim to that. The stakes are too high.

Because at its core—at its heart—economic transformation is about people—their jobs, their prosperity, their livelihood, their contributions to Ghana's ongoing legacy.

Successful transformation is a 20- or 30-year process. If we imagine a transformed Ghana in 2040, for example, we imagine a nation in which today's young people are the adults, many in the prime of their working lives. But among today's youth, a large majority is either unemployed or eking out a living in the informal sector. They are the reason to fix our fundamentals. They are the reason to transform our economy.

As New York Times columnist Thomas Friedman once wrote, "Countries that don't plan for the future tend not to do well there." If we want to do well tomorrow, we have to start planning today.

I hope in the next few days we can use this economic forum to usher in a new era of stable, shared, and sustainable growth.

We are not just any nation. We are Ghana!



## STATEMENT BY PROFESSOR MTHULI NCUBE

VICE PRESIDENT AND CHIEF ECONOMIST  
AFRICAN DEVELOPMENT BANK GROUP

READ BY MRS. MARIE-LAURE AKIN-OLUGBADE  
RESIDENT REPRESENTATIVE, AFRICAN DEVELOPMENT BANK,

GHANA COUNTRY OFFICE

13 MAY 2014, AKOSOMBO, GHANA

Your Excellency, President John Mahama;  
Your Excellency, Vice President, Kwesi Amissah-Arthur;  
Honourable Minister of State, Distinguished Ladies and Gentlemen

On behalf of the African Development Bank Group President, Dr Kaberuka and the Board of Directors, it is a great pleasure and privilege to participate in the Ghana National Economic Forum on “Building a National Consensus for Economic and Social Transformation” and to address this august gathering. I regret my absence due to various prior commitments and imminent departure for the Bank Annual Meetings in Kigali. I have asked therefore our Resident Representative in Ghana to kindly deliver this statement on my behalf.

Let me begin by thanking HE Vice President Amissah-Arthur for his very kind hospitality during my recent visit to Ghana. I also congratulate the Government of Ghana for convening this very important forum at a time when there is evidence that strong headline economic growth is not enough! Large numbers of our youth are entering the labour market each year but cannot find decent jobs. The reason for that is straightforward. Yes, economic growth is strong, but economic transformation remains a challenge. Deliberate policies to reduce inequalities, promote inclusion and create jobs are now needed more than ever. A renewed focus on people’s expectations is timely: African needs decent work, a living wage, access to basic and affordable services, well-functioning institutions and accountable governments. Today, I will share with you our views on the recent economic developments on the continent and the Africa transformation agenda, as a context to the discussions that you will have over the coming four days.

## 1. Key recent economic developments

Your Excellency, in 2013, Africa's economic growth slowed while fiscal and external balances worsened due primarily to global headwinds. The adverse external environment included tightening global financing conditions and rising financing costs, less dynamic emerging markets, and less favourable commodity prices. In Sub-Saharan Africa, growth remained almost unchanged at 4.8% in 2013 against 4.9% the previous year. In North Africa, however, it fell from 10.2% in 2012 to just 1.7% in 2013 due to political turmoil or stalemate in Egypt, Tunisia, and security setbacks in Libya. Indeed, political unrests and disruptions in oil production in parts of North, West and Central Africa (principally in Libya, Egypt, Mali and Central African Republic) slowed growth in Africa's oil-exporting economies from 9.1% in 2012 to just 3.4% in 2013

We also note that although three countries (against five in 2012) had growth contraction in 2013, mostly due to varying forms of instability, over 40% of African countries recorded growth rates of 5% or above.

Growth prospects in Africa remain robust. GDP is projected to reach 4.8% in 2014 and 5.8% in 2015, supported by domestic demand, relatively resilient FDI inflows, improvements in the business environment, and easing infrastructure constraints.

However, the continent remains vulnerable to key external risks, including further weakening in emerging market economies, disorderly tapering, and sharper than projected declines in commodity prices. Domestic risks to growth outlook relate to inability to contain macroeconomic imbalances in some countries, political strife, adverse industrial relations in South Africa, security risks in northern Nigeria, weather shocks to local harvests and food prices and pirate attacks along the Gulf of Guinea, which could raise shipment costs and disrupt regional trade. In North Africa, overall growth is expected to remain weak due to political and economic uncertainty. Average fiscal deficits as a percentage of GDP on the continent rose from 3.2% in 2012 to 4.1% in 2013, with nearly 30% of the countries recording deficits of 5% or above.

Although in most countries external debt remains manageable, a few countries are beginning to have high debt ratios. This calls for fiscal consolidation and increased domestic revenue mobilisation to rebuild buffers and to ensure sustainability of public finances in the medium term.

The current account deficit widened in 2013 in many African countries, reflecting increased investment in export-oriented activities and infrastructure. About 40% of countries had current account deficits above 10% of GDP. While overall export growth is projected to improve in 2014, a sharper-than-projected decline in commodity prices will lead to a significant deterioration in balances of oil exporters.

After rising by a high of 15.2 percent in 2012, FDI inflows to Africa increased by only an estimated 5.6% in 2013, reflecting the tepid and mixed recovery of advanced economies. Southern African countries such as South Africa and Mozambique experienced record inflows, though, of more than US\$10 billion and US\$7 billion, respectively. However, overall performance was dampened by lower FDI to Nigeria, reflecting transnational corporations' retreat from the oil sector.

Africa experienced a revival in remittance inflows between 2011 and 2012, rising to over US\$64 billion from about US\$56 billion. Indications are that the trend continued in 2013 and is expected to remain so in 2014 and 2015.

It had been estimated that officially recorded remittance flows to Sub-Saharan Africa remained resilient to the crisis in Europe and increased by about 6% in 2013. In North Africa, Egypt was the largest recipient of remittances in 2013. However, high remittance costs will work to keep remittances flow into the sub-region subdued in 2014 and 2015. Official development assistance (ODA) to Africa is estimated to have increased in 2013 by about 5.5%.

However, global country programmable aid (CPA) is expected to stagnate over 2014-2016 (OCED, 2013). This will mainly affect countries in Sub-Saharan Africa, which are identified as potentially 'under-aided' countries.

## **2. Assessing the Impact of Key Recent Global Economic Developments on Africa**

The combined effect of the slowdown in emerging markets, subdued recovery in advanced economies, a decline in commodity prices, and tightening of global financial conditions may pose challenges for Africa's growth prospects in 2014.

### ***Euro Zone and Africa: External Risks***

The euro zone outlook is subject to downside risks. Exports from African countries, tourism, remittances, capital flows, and external balances would be impacted. A one percentage point drop in Eurozone growth is estimated to lead to a 0.24 percentage point (0.24%) loss in total African GDP growth;

### ***BRICS (especially China) and Africa's Growth***

The Bank has estimated that a one percentage point drop in BRICS economic growth will have differentiated impacts on African economies' growth in 2014, a 0.14 percentage point (0.14%) loss in total African GDP growth; China has become the largest single trading partner for Africa and a key investor and provider of aid. These rising linkages have supported growth but also expose African countries to potentially negative spill-overs if China's growth slows or the composition of its demand changes.

A one percentage point drop in China's economic growth will have differentiated impacts on African economies' growth in 2014, but could lead to a 0.06 percentage point (0.06%) loss in total African GDP growth; Commodity Prices and Africa: Long-term Structural Decline in Commodity Prices

One of the main international risks that threaten Africa's economic outlook in 2014 and 2015 relates to a protracted decline in commodity prices due to decreased output and weaker demand.

The Bank's estimates show that a one percentage point drop in commodity prices will have varied impacts on African economies' growth in 2014. The results suggest a 0.07 percentage point (0.07%) loss in total African GDP growth; QE Tapering (Tighter Monetary Conditions) and African Economies

Tapering effects on African economies will vary according to the degree of global financial integration and resilience.

Currency depreciations: In vulnerable economies, tapering has contributed to sharp local currency depreciations. For example, the South African rand fell 7.5% in January 2014 and continued to fall even after the central bank raised its benchmark interest rate to 5.5% from 5.0% – the first increase in almost six years.

However, Sub-Saharan Africa's financial sector remains relatively unintegrated to international markets. Sub-Saharan Africa's currency mix lost an average of only 4.6% compared to the US dollar from 1 May 2013 through to 5 February 2014.

Fall in stock/equity indices: Stock markets across developing countries experienced sell-offs following the May 2013 announcement of tapering. Such fall in share prices are also indicative of things to come for more globally integrated economies in Africa. Rate Hikes: Both short and long-term interest hikes are expected in African countries following tapering, thus constraining business expansion and general economic activity. South Africa, which has strong links with global financial markets, is particularly vulnerable to sudden stops of capital inflows given its reliance on portfolio inflows to finance its current account deficit. Frontier economies such as Ghana, Kenya and Nigeria, which have seen significant portfolio inflows in local securities markets, would also be affected by the reversal of capital flows; and countries that are planning to tap the international bond markets are likely to face higher coupon rates.

Drop in private capital inflows: 2013 was a bad year in Africa, with respect to net private portfolio flows, owing to outflows in North Africa and volatile inflows in frontier equities and bond markets, following the threat of US Fed tapering. The recovery in 2012 after the poor performance during the global financial crisis was more than wiped out in 2013. The tapering has spurred some investors to pull their money out of

emerging and frontier markets. However, longer-term FDI inflows to Africa will remain on track. This means that African countries can withstand US Fed tapering in terms of overall financial inflows but countries with weak fundamentals, for instance those with twin deficits such as Ghana and South Africa, are the most exposed.

Your Excellency, we view some critical policy implications from the foregoing:

Policy responses to risk of long-term structural decline in commodity prices will need to focus on critical structural reforms: focusing on increased value addition in the primary commodity sector and diversification into higher productivity sectors, especially manufacturing and modern services. In addition, mobilising domestic revenues, improving public financial management, enhancing regional integration through intra-Africa trade, and developing non-traditional sources of finance and markets will be important.

- Guarding against disorderly exchange rate adjustment: While exchange rates should be allowed to respond to changing fundamentals, there is a need to guard against risks of disorderly adjustment. Some intervention to smooth market volatility will be needed in countries with adequate reserves, but this should not forestall underlying external adjustment for countries where external deficits exceed levels warranted by fundamentals and desired policies.
- International and regional policy coordination and cooperation will be needed: International and regional policy coordination and cooperation under the G20 and C10 will be important to ensure orderly tapering and that cross-border policy spillovers are appropriately internalised, hence improving global, regional and national socio-economic outcomes. Regionally, preparing the economic environment and appropriate incentives for tapering will also be important.
- Central banks and capital outflows: Risks from a tightening of global financial conditions could lead to a rise in risk premiums for African countries and lead to lower FDI. Thus, as capital inflows weaken or reverse, central banks will have to rely on their credibility and active communication to convince markets of their focus on stable inflation and orderly markets, with a monetary policy response that is appropriate to the cyclical position. This will help to mitigate flight to quality and the associated increases in risk premia. Some countries may be able to access central bank foreign exchange swap lines to help cope with market turbulence.

Your Excellency, I will briefly turn to Africa's transformation agenda. As part of the African Union's 50th Anniversary in May 2013, African Heads of State agreed on an agenda on "the Africa We Want" by 2063, to be achieved through economic

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transformation. The objective of this vision is to see a continent that is more integrated, with robust infrastructure that promotes trade among African nations, a continent that is more industrialised - moving away from exports of primary products and a continent that uses its abundant natural resources for inclusive growth. Although the economic growth performance has translated into improvement of a number of social and economic indicators, such as improved per capita income to around US\$1000, reduced mortality by half and increased life expectancy up from 40 to 60 years, there continues to be inequality and disparities in the impact of economic growth both across the continent and within countries such as Ghana; to the ordinary person, if the economy is growing, why is this not being translated into their daily income and most graduates are left jobless? Answers are needed on how Africa's current strong economic performance can be translated into jobs, opportunities for all and a reduction in the reliance on a narrow range of commodities. What we know is that it is key for the momentum of the growth to be sustainable, inclusive, and transformational.

Africa and its people, including the people of Ghana, aim to be a pole for global growth in the decades ahead. Africa is transforming, but economic transformation can be accelerated. Structural transformation cannot take place without :

- Sound macroeconomic environment, including adequate fiscal policies
- Growing the middle class
- Investing in transformational and inclusive infrastructure
- Private sector development and entrepreneurship, including SMEs that create decent jobs
- Harnessing the natural resource boom
- Domestic resource mobilisation
- Harnessing the full potential of ICT and mobile telephony
- Transforming Africa's agriculture
- Diversification, processing and beneficiation
- Security of ownership of assets

Promoting inclusive growth through a transformation agenda will also help ensure political stability as equal distribution of wealth, increased social and productive sectors, effective public spending leading to the creation of decent work will reduce the risks of political upsurge.

### *Future funding*

Let me close my remarks by borrowing from President's Kaberuka to discuss the issue of how Africa's economic and social transformation agenda will be funded in the coming years. He said: "It is now evident that the effort will be primarily internal, with international donor finance coming to support that internal effort. Today, approximate figures indicate that various forms of domestic finance account for three-quarters of all expenditures. International cooperation has played a major role in the past 50 years to finance Africa's development, and it is still needed and much appreciated, especially by countries with limited resources, but for now it is curtailed by the global recession, budget cuts and a diminishing constituency for aid.

In the past decade cooperation with new partners has contributed particularly to infrastructure. We must now do more, from domestic revenue mobilisation, to spending wisely, to more effective natural resource management and leveraging the capital markets. The Report by the Africa Progress Panel under Kofi Annan and how Africa is being deprived of revenues from our natural resources will require our action. Let those mining businesses prosper in Africa but let them also pay what Africa deserves. At this moment, capital markets are awash with liquidity and interest rates are at a historic low."

Your Excellency, this Forum is timely for Ghana as I am sure we will all have recognised that Ghana shares many of the opportunities and challenges that I have briefly reviewed. The current economic challenges facing the country should not undermine the economic dividends and delay the country's march towards socio-economic transformation. Strategic policy leadership and consensus are critical aspects of such a transformation agenda.

It is noteworthy that at a time Ghana is holding the NEF, the Bank Group is preparing to hold its annual meeting in Kigali, Rwanda, under the theme "The Africa We Want" in 50 years ahead. The meeting aims to propel the African Union's Agenda 2063 to reflect the aspirations of the African people. From the Bank's point of view, for African countries to achieve inclusive growth they need to address four critical aspects relating to it: (i) strategic policy leadership; (ii) regional integration; (iii) productive jobs for Africa's large population, especially for youth and women; and (iv) strong attention to conflict and fragility.

The African Development Bank intends to contribute to the economic transformation of its regional member countries. The Bank envisions a stable, integrated and prosperous Africa with competitive, diversified, and growing economies that participate fully in global trade and investment. It is within that context that the Bank Group's Ten Year Strategy (2013-2022) has exclusively focused on interventions that promote socially inclusive and environmentally sustainable economic growth.

Your Excellency, within this context, the Bank once again congratulates you on the approach adopted by your Government to convene all key players in Ghana's development to dialogue on building a consensus for the economic transformation of Ghana.

We wish you very fruitful deliberations and wish to reaffirm the African Development Bank Group's continued commitment to work steadfastly alongside you and all stakeholders in Ghana and all our Regional Member Countries to contribute to meeting the aspirations of the great people of this country and the continent .  
Thank you for your attention.



STATEMENT BY THE  
**TRADES UNION CONGRESS (TUC)**

DELIVERED BY BROTHER KOFI ASAMOAH, SECRETARY GENERAL  
AT THE NATIONAL ECONOMIC FORUM  
13TH TO 15TH MAY, 2014

Your Excellency, John Dramani Mahama, President of the Republic of Ghana;  
Your Excellency, Kwesi Amissah-Arthur, Vice President of the Republic of Ghana;  
Honourable Ministers of State; Honourable Members of Parliament; Members of the  
Diplomatic Corps; Members of Political Parties Present,

On behalf of the Trades Union Congress and Organised Labour I convey our gratitude to the President and the Government for organising this forum and also for giving us the opportunity to participate. You may recall that in February, the TUC issued a statement on “The general economic situation in Ghana.” In that statement, we called on “government to initiate a national dialogue on the economy...” We are happy that government has responded to our call. This year, we commemorated May Day on the theme “Ghana’s Economy: A Concern for All” to demonstrate the concerns we have, as working people, about the effects of the prevailing economic challenges. Your Excellency, the TUC finds the theme for this forum “Changing the Narrative: Building a National Consensus for Economic and Social Transformation”, apt and timely. It is important that we achieve broad consensus on where we are, and how we got there before we can even talk of changing the narrative. I have no doubt in my mind that all of us gathered here and indeed Ghanaians in general are aware of the broad contours of the current narrative. For the avoidance of doubt, let me crave your indulgence to restate it in the way in labour sees it.

Mr. Chairman, our assessment is that Ghana’s economy is weak and not working for the majority of Ghanaians as evidenced by the high incidence of poverty among our people. At the macro level, there are projections that growth is slowing, the current account deficit is widening as imports saturate our markets and our exports remain raw materials, inflation is surging and the cedi is falling by the day. The national debt is trending towards unsustainable levels. These are big headline macroeconomic issues that often capture the attention of policymakers but there are also important bottom-line issues. The times are hard for most Ghanaians. The hardship is intense and spreading quickly. Prices are rising faster than incomes; good jobs are difficult to find, as the vast majority of our young people remain jobless. Public services and utilities, including water and electricity, are poorly delivered at exorbitant prices. It’s becoming too difficult and costly to obtain public services.

Your Excellency, our view is that, these challenges are rooted in the nature of economic policies we have pursued in the last three decades... We have made reference to the hands-off neoclassical economic policies and the failure of those policies. We have expressed grave reservation about the unbridled liberalisation of international trade and the way it has destroyed the domestic manufacturing base. We have also raised concern about the over-liberalisation of external payment leading to the transfer of foreign currency out of the country sometimes beyond the legal limits set by the Bank of Ghana. The TUC has drawn attention to the high interests rate regime, which has afforded the banks considered profits while the rest of the business community suffocate and unable to balance their books.

Your Excellency, inherent in these economic policies has been a continuous weakening of the state and the institutions of state. The state has retreated into the comfort zone of politics, leaving economic governance to market forces. The extreme political polarisation has made it difficult for us to agree on common solutions to our problems. We are defending and projecting the narrow interest of parties. The low- and high-profile corruption cases we witness every day and the inability to successfully prosecute offenders are a manifestation of the weakness of the institutions of the state. In such a situation, no citizen would want to hear the word "sacrifice".

Your Excellency, ladies and gentlemen, these are our views as far as the current narrative goes. It may not be the view of everybody here, but we believe that these reflect the views of the majority of Ghanaians. For us in the labour movement, going forward therefore entails two inter-related approaches.

First, it is important that we change the nature of economic policies. To reverse the growing trade deficit and the falling cedi, we need to take a second look at our trade policy. We are of the view that our trade policies and practices are too liberal for our level of development. We need a new trade policy regime that supports and encourages domestic manufacturing and penalises imports. This does not mean that we close our borders. It means being smart and taking advantage of existing safeguards within the international trade architecture. This also means not acceding to IMF programmes in the sense that their conditionalities will not allow us to provide remedies for addressing the current difficulties without necessarily placing the country on the path to sustainable development in the long term.

Additionally, government must intervene strategically in the money market to bring down interest rates. Here again we are not suggesting that government control the banks. What we are recommending is an innovative approach in which government works with the banks to bring down the cost of borrowing as a means of improving employment creation. In the long run, the usurious interest rates are not in the interest of anyone, including the banks themselves.

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Your Excellency, economic policies must emphasise the centrality of adding value to our natural and human resources and being able, as a country, to produce some of the basic necessities of life. We cannot make any headway in creating decent employment and reducing poverty by living on imports. Government needs to offer unalloyed support to Ghanaian businesses. State power must be leveraged to promote domestic industry regardless of the political orientation of the people behind the enterprise. The fruitless attempts to destroy businesses that are viewed to be politically unfriendly must stop.

There is also the need to reform our capital accounts and external payments system. Ghana cannot continue to allow foreigners and foreign-owned companies to transfer any amounts of foreign currency out of the country. The legal limits on transfers must be reviewed and enforced.

Finally, your Excellency, it is important to rescue, and rehabilitate the state and place it at the centre and front of national development. It is our view that development cannot be achieved and sustained by relying solely on the devices of the market, neither can it be done through an overbearing state that scuttles private initiatives and kills market incentives. There is nothing more destructive to private enterprise than a state that is weak and unable to mediate economic and social transactions fairly and speedily. It, therefore, becomes necessary that we take a harder look at the state and its institutions with a view to ensuring that they play their proper role in national development.

Your Excellency, Ghana must be made and be seen to be working for all Ghanaians regardless of how each of us views the government of the day. We can forge consensus on what matters for Ghana. We expect strong leadership from you, your Excellency, to take Ghana out of these economic challenges. The working people of Ghana are prepared to support your efforts.

I thank you for your attention.

**STATEMENT BY JAMES ASARE-ADJEI,**  
PRESIDENT OF AGI

ENSURING EFFECTIVE CONTRIBUTION BY INDUSTRY  
TO NATIONAL ECONOMIC DEVELOPMENT

Your Excellency, the President of the Republic of Ghana,  
Your Excellency, the Vice President of the Republic of Ghana,  
Honourable Ministers of State,  
Members of the Diplomatic Corps,  
Chief Executives of Industry,  
Fellow Industrialists,  
Members of the Media,  
Distinguished Ladies and Gentlemen.

Today's forum marks an important step in advancing a positive effort towards the acceleration of our transition to a higher and sustainable development path as a country. I believe we all share the commitment to a sustained dialogue to enhance structural transformation of our economy. The Association of Ghana Industries is happy to be part of this process, and I wish to provoke our thoughts with this presentation on how can we ensure effective contribution of Industry, and for that matter the private sector to national economic development, in the midst of all the challenges we face.

Indeed, the challenges businesses faced in 2013 became more prominent in 2014 following further depreciation of the cedi against the major foreign currencies. Whilst businesses were yet adjusting to the effect of the depreciation, an additional 2.5% VAT was introduced in January and the Bank of Ghana (BOG) directives on Foreign Exchange Accounts and Foreign Currency Accounts also came into force, putting most businesses under immense pressure. The aforementioned challenges impacted business confidence, which the 1st quarter AGI business barometer demonstrated, with business confidence falling sharply to its lowest in four years.

Your Excellencies, Ladies and Gentlemen, what the private sector needs to restore confidence on a long-term basis is macroeconomic stability and predictability of the business environment. I dare say that the much touted attractive business environment is gradually giving way, and other competing countries are ready to grab it. I am happy to note that macroeconomic stability is one of the key thematic areas to be considered at this forum.

Your Excellencies, distinguished Ladies and Gentlemen, the kind of structure we envision for our economy tomorrow should inform our present dialogue. Between 2012 and 2013, the growth rate of Industry's contribution to GDP declined from 11% to 7%. The manufacturing sub-sector which is supposed to drive the growth for Industry was worst affected by the decline in GDP growth from 2% to 0.6%. And this is the picture I wish to bring to light. Paradoxically, electricity consumption grew from 11.1% to 16.1%. This is a sign that the increase in consumption of electricity is not as a result of industrial activities.

As we strive to grow our economy to a real middle-income country, our growth pillars must be sectors that can spur structural transformation of the economy with job creation potential; and manufacturing is the sector to consider. Indeed, experiences from several countries have confirmed that hardly is any country able to develop without a strong manufacturing base. There is therefore the urgent need for the protection of infant industries in the economy, as the multiplier effect of manufacturing serves as justification for such protection.

Distinguished guests, I wish to highlight a few more challenges that have stifled the contribution of Industry to our economic development; I am doing so mindful of the fact that the group sections will discuss the solutions in detail.

### ***Taxation***

The year 2013 saw the introduction of several fiscal measures by Government in the form of taxation. Whilst appreciating the urgent need to increase government revenue, AGI is of the view that tax measures should rather support the growth of local industry to enable them contribute more revenue rather than stifle their operations and we wish to reiterate our view that taxes on raw materials for local manufacturing should be zero, with upfront relieve on VAT for all raw materials being maintained.

### ***Access to credit***

Access to credit and high cost of borrowing are still major concerns for business, especially our SMEs. With lending rates in Ghana ranging between 25% and 33%, one of the highest in Africa, it is obvious that industry cannot borrow long-term to re-tool and expand operations to contribute effectively to national economic development. Today, traditional development banks have all gone commercial, so where will development come from? This has necessitated AGI's intention to set up an Industrial bank to bridge the funding gap of Industry, particularly SMEs.

### ***Utilities supply***

The reliability and affordability of utilities supply is crucial for industries' development. The minimum Industry can ask for is greater efficiency in the operations of both electricity and water distribution. A huge jump in tariffs destabilises the private sector and this should be avoided, and under no circumstance should industry subsidise

residential usage of electricity; unfortunately this is still happening! The continued indebtedness of Government to the Electricity Company and its effect is worrying. Increased local content, especially in equipment for the energy sector, should be encouraged by government. There is the urgent need for medium to long term energy policies, strategies and plans, to address our energy situation.

### *Infrastructure*

Our infrastructure deficit alone is an expensive barrier not only to our competitiveness as a country but also to our regional integration. Proper value for money analysis of government procurement, especially in large infrastructure projects, is very essential. We trust that the Infrastructure Fund will come in handy to address our underdeveloped infrastructure needs.

### *Delays in policy implementation*

We have been very proactive as a country in formulating good policies but have always had challenges with implementation. What has happened to the Ghana Industrial Policy launched in 2011, the Private Sector Development Strategy II, which was supposed to span 2010-2015, as well as the Ghana Export Strategy document which was also launched about six months ago? AGI believes that until institutions mandated to oversee the implementation of such policies and strategies become effective, by receiving sufficient resources and commitment from Government, Industry cannot contribute meaningfully to national economic development.

These challenges notwithstanding, I am confident that we can improve our economic situation; we do not have an option than to succeed. To ensure effective contribution by industry to national economic development, Your Excellencies, AGI would like to see more collaboration between Government and the Private Sector within the framework of Public-Private Partnerships, with significant local content, as a strategic option to accelerate economic growth. However, the misuse of the Public-Private-Partnerships, with many deals being touted as such, but are not defined in the relevant PPP legislation, should be checked.

Local Content and Local Participation Development - The passage of the Petroleum Regulations for Local Content and Local Participation is a welcome development and we commend government for this, but more importantly we need to strategise to take full advantage of this policy and extend to other sectors, where necessary.

We welcome H.E. President Mahama's recent pronouncement on the need to patronise Made in Ghana products, and wish to pledge Industry's commitment in partnering government to make it a reality. We believe that government procurement alone can make a big difference.

Finally, distinguished Ladies and Gentlemen, let's take politics out of our economic management and run it on sound footing. I am optimistic that the success of this National dialogue will generate a new impetus for subsequent ones.

I thank you for your attention.

CLOSING REMARKS BY  
**HIS EXCELLENCY JOHN DRAMANI MAHAMA**

PRESIDENT OF THE REPUBLIC OF GHANA,  
AT THE NATIONAL ECONOMIC FORUM  
SENCHI, EASTERN REGION, THURSDAY, MAY 15, 2014

As your last several days have been filled with plenty of talking and listening, I will be brief.

I recognise the fact that all of you have travelled some distance to be here in Senchi. And you have over the last three days taken time away from your professional responsibilities and your personal obligations. I am grateful for this sacrifice that you have made in the spirit of patriotism. I mentioned in my opening remarks that this forum is part of what has now officially become a tradition. I was, of course, referring to the first National Economic Forum held by the NDC in 1997 and a similar gathering, the National Economic Dialogue, held by the NPP in 2001 and subsequent years.

But the discussions that have been taking place here over the past several days follow in the footsteps of an even older and more defining tradition for us as Ghanaians. It is the tradition of coming together as a people to talk through our differences in order to find practical solutions to our problems. It is the same tradition of family meetings and of traditional councils, and it is, to all intents and purposes, the same process whether it is being carried out in a personal context or a political one.

Another observation worth making is that this tradition of problem solving is one that, by its very nature, is geared towards action. From the decision to show up and participate, from the heated debates and thoughtful conversations' come ideas and suggestions. From all that, a plan of action must be formulated and then earnestly implemented. I want you to know that we are committed to taking that next step.

I have glanced at the recommendations captured in the final communiqué of the conference. The recommendations are breath-taking and far-reaching. Some of them we are dealing with already and this forum inspires us to redouble our steps in achieving those goals. For example, improving efficiency of tax collection and broadening the tax base, dealing with the energy crisis to ensure reliable and affordable power supply, review of BOG measures to smooth out unintended consequences and restore confidence, careful prioritisation of our policies, programmes, projects and activities and many such other recommendations.

The others we haven't quite gotten round to implementing yet but which have been flagged by this forum as urgent to begin dealing with. I am satisfied with the outcome



of the forum. I am impressed at the zeal and enthusiasm you have shown these last three days.

I stand here making these closing remarks with the knowledge that while this National Economic Forum may be ending, what lies ahead of us is the beginning of a new day for Ghana, one that we are shaping together as a nation.

What lies ahead of us, as a Government, is the careful consideration and timely implementation of the viable solutions that have been proposed here in Senchi. There must be no delays or distractions.

Our Economic Management Team has been reinvigorated by this process and is ready to begin immediately implementing the outcomes of this gathering. I have spoken with the Vice President, His Excellency Kwesi Bekoe Amissah-Arthur, who has shared with me the sense of both urgency and optimism that permeated these proceedings. We will use this sense of urgency and optimism to fuel our actions as we move in the direction of change. I wish to thank Vice President Amissah-Arthur for all the time, hard work and dedication that he has invested in this forum. The leadership and other contributions he has made to ensure the success of this forum are nothing short of exemplary.

I wish also to thank all the other organisers of this forum: people in the business community, civil society, organised labour, the various ministries, particularly Finance, and the Presidency, especially their support staff, and every single person who has contributed directly or indirectly to the success of this project.

Last, but certainly not least, I would like to thank you the participants for your time, your ideas and analyses, your honesty, open-mindedness and good cheer.

You came in your numbers, representing not just yourselves but your family members, your co-workers, the people with whom you worship, and the people with whom you interact on social media. You came also carrying the ideas, opinions and solutions of those individuals who could not be present here. You came as the emissaries of the people of Ghana, and by your participation you have proved to be their worthy representatives.

With these final remarks, I would like to formally declare the National Economic Forum successfully concluded. It is time now for us to put all your words to work, for the good of Ghana.

May God bless you.  
And May God continue to bless our homeland, Ghana.

# List of Participants

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