

THE NPP RESPONSE TO THE 2016 BUDGET STATEMENT, THE 7 YEAR RECORD OF THE NDC & THE ALTERNATIVE VISION UNDER AN NPP GOVERNMENT.....December 2nd , 2015

Fellow Ghanaians, on Friday November 13 2015, the Minister of Finance, presented to Parliament the Budget Statement and Economic Policy of the Government of Ghana for the 2016 Financial Year. The 2016 budget is the last budget of the second four year term of the NDC government. After two terms in office, one would expect that major gains would be made by this government in tackling the major problems the Ghanaian economy. These are problems of inclusive economic growth to address unemployment, decline in the agriculture sector, rising cost of living, collapsing businesses, the energy crisis (“dumsor”) unsustainable debt, poor infrastructure, rising interest rates exchange rate depreciation, rising fiscal and balance of payments deficits, and corruption.

If one factors supplementary budgets since 2009, this 2016 budget is the eighth main budget in 7 years that the NDC has delivered. All of them promised a “Better Ghana” yet the outcomes, consistently, have been very abysmal. The eight main budgets over the last seven years have promised to address these challenges with various policies and the 2016 budget is no different. Today, the promise is to “change lives and transform the economy”. One really wonders if this government is in touch with reality. The reality for most Ghanaians is that the economic policies of this government have destroyed many lives as young graduates are unable to find jobs, people are unable to pay school fees for their wards, people cannot pay for hospital fees, businesses are collapsing, etc. Many

lives have been destroyed and the economy, as we would show shortly has rather been deformed and not transformed. We have kept warning the government that you cannot use propaganda to manage an economy. The reality is that the people are suffering under this government and there is no transformation. Propaganda cannot change this reality.

Ghanaians were promised a 'Better Ghana' in 2008 but going into the 8th year of government in 2016, this government has delivered one of the worst economic performances of any government in Ghana's history. The record after the last seven budgets of the NDC is definitely not one of a "Better Ghana" than the one this government inherited in 2009. Rather, it is a record of a monumental waste of an historic opportunity to transform the economy of Ghana and improve the lives of Ghanaians.

While budgets are a statement of intent for the year ahead, there is no substitute for a seven year record of performance. We have an opportunity today to compare the record of performance of the NPP government of 2001-2008 under President J.A. Kufuor and the NDC administrations of Presidents Mills and Mahama (2009-2015), comment on the 2016 budget and present an alternative vision for the NPP that will guide future NPP budgets under a Nana Addo Dankwa Akufo Addo government.

GDP GROWTH

The GDP growth rate which was inherited by the NPP under the stellar leadership of President Kufuor in 2000, was 3.7%. In 2001 the GDP grew at

4.2%; in 2002 it grew at 4.5% rising to 5.2% in 2003 and to 5.6% in 2004. It rose to 5.9% in 2005, 6.4% in 2006; 6.3% in 2007 and to 8.4% in 2008. This indeed is steady growth and it occurred without revenues from crude oil exports and in periods where the world was seeing the worst economic crisis in decades.

In the process, the size of Ghana's economy increased from some \$5.1 billion to \$28.5 billion, a 500% increase!!!. Even in the face of a global economic and financial crisis in 2007/8 (with oil prices reaching a record high of \$147/barrel) economic growth in 2008 rose to 8.4%. Ghana was transformed during the period of the NPP's tenure (2001-2008) from a low income HIPC economy to a lower middle income economy on the frontiers of emerging market status.

The NPP's record on economic growth compares with the uneven and recently declining growth rates achieved by the NDC Mills-Mahama, Mahama administrations. In 2009 growth rate swung down to 4.0%; in 2010 it grew at 8.0% and upped to 14.0 per cent with the onset of oil production. For 2012 the GDP growth registered 8.8%, climbing down to 7.6 in 2013 and plummeting to 4.1% in 2014. The provisional 2015 GDP growth rate is 4.1% and for the first time since the inclusion of oil revenues beginning from 2011 the non-oil component of the GDP growth of 4.2% is higher than the overall real GDP growth rate of 4.1%. In 2014 the revised figures indicate that GDP growth rate was 4.0% same as the non-oil GDP growth. In the eight years of the NDC government, the size of the economy would have increased from \$28.5 billion

in 2008 to a projected \$39.4 billion in 2016 (with oil), a 52% increase compared to the 500% increase witnessed under the NPP (without oil).

DECLINING AGRICULTURAL SECTOR GROWTH

In critiquing the 2015 budget we stated that even though we were happy with government's declaration of intent to promote export-led growth via identifying and promoting agricultural produces it was not clear by which method government wanted to achieve its object. At the time we stated that government had mentioned only one agricultural produce, cotton, for stimulation. We stressed the fact that there was a disconnect between the declaration and practical promotion since there was nothing in the budget to pursue that otherwise noble objective.

The provisional Agricultural growth of 5.3% in 2014, we noted, was on account of logging which had registered a growth of 16.5% and cautioned government to show greater commitment to agricultural growth.

One of the reasons why agriculture is not doing well is because of the paltry budgetary allocation to the sector. In 2009, 3% of the entire budget was allocated to Agriculture. It climbed down to 1.9% in 2012 and 1.03% in 2013. In 2014 only 1.07% of total budgeted allocation went to Agriculture, out of the total of GH¢44 billion budget figure. For 2015 only GH¢484.3 million equivalent to 1.1% is allocated to the two ministries of Food and Agriculture, and Fisheries and Aquaculture Development. In 2016 the total budget figure is GH¢50 billion

and the allocations to the two ministries of Food and Agriculture, and Fish and Aquaculture sums up to GH¢554,208,420 which is equivalent to 1.1% of the entire budget. All these paltry allocations have been made against the background of the Maputo declaration, which provides that governments in Africa must invest at least 6% of their annual budgets in Agriculture.

Agriculture is stagnating and has since 2008 underperformed. Real growth in Agriculture tumbled from 7.4% in 2008 to 7.2 in 2009 through 5.3% in 2010; 0.8 in 2011; 2.3% in 2012; 5% in 2013; 4.6 in 2014 and now the rock-bottom figure of 0.04% for 2015. Indeed the crops sub-sector, the dominant factor in agriculture, experienced a negative growth rate, i.e. -1.7%.

The stagnation in Agriculture found expression in the importation of \$1.5 billion of food stuff into the country in 2014 against a food import bill of \$600 million in 2008. The import of fish, poultry, tomatoes, cooking oil, have all doubled between 2008 and 2015.

The production of basic food staples (cereals, legumes, roots and tubers) have all been stagnating. The huge yearly vacillations in outputs and the rising imports of rice from 395,400 metric tons in 2008 to 543,465 metric tons in 2011 and over 600,000 tonnes in 2013 for which alone the nation spent \$374 million (Ref. Pg. 11 of 2014 State of the Nation Address) testify to the escalating food insecurity in the country. Today, the country is on the brink of serious shortages in the supply of maize a major staple in the country. In 2012, crops grew at 0.8%. In 2015 crop was projected to grow at 5.8%, later reviewed to

4.1%, it grew at -1.7% which was 141.5% short of what was anticipated to be produced!

Production of meat and fish has not seen much growth. Fish production grew by 5.7% in 2013 but experienced negative growth of -5.6% in 2014, that is almost 200% short of what was anticipated and that is why in 2015 the target growth was set at a modest 1.9%. There has been a steady increase in the importation of livestock and poultry products: from 128,000 metric tonnes in 2008, to 139,000 tonnes in 2011, \$170 million in 2013 and \$283 million on imported fish.

LOCAL PREMIX

In 2009 the NDC administration established Local Premix Committee (LPCs) to ensure what they considered “a fairer distribution of premix fuel to fisheries”. Today there are numerous reports of perennial shortages of premix fuel in almost all the fishing communities. The distribution system has also become very much politicized. This is quite aside the fact that the price of premix fuel, fishing nets, outboard motors and wooden canoes have all gone up steeply. The combined effect is deepening poverty in the fishing communities.

IRRIGATION OF ACCRA AND AFRAM PLAINS

The Accra Plains and Afram Plains irrigation projects which have the potential of positively impacting food security for the nation and providing jobs for the teeming youth have remained on the books. The 2009 – 2012 budget

statements all mentioned these two projects. (ref. par. 347 of 2015 Budget). In 2016 the two projects are not mentioned in the budget perhaps to emphasize the point that it was all a ruse.

In 2009 government promised to commence with 5000 hectares. This same figure of 5000 hectares was promised again in 2010. In 2011, government pledged to irrigate 10,000 hectares. This figure grew to 11,000 hectares in 2012. In 2013 and 2014 the Afram Plains and Accra Plains irrigation were dropped only to surface in the 2015 budget only for mention. In 2016 they have again been dropped.

All this is against the background that the NPP before its exit left behind detailed plans for immediate implementation in respect of the Accra Plains irrigation project.

COCOA

Ladies and gentlemen, under the NDC administration the management of the all important cocoa industry has been nothing short of a disaster. The country attained a historical peak production of just over one million metric tonnes of cocoa production in the year 2010/2011.

This achievement was a direct result of policies and projects (Mass Spraying and Hi-tech) initiated and implemented by the NPP administration. With these twin projects cocoa production more than doubled in just two years, from

341,000 metric tonnes in 2001/2002 to 737,000 metric tonnes by 2003/2004; and then to one million metric tonnes in 2010/2011.

Since the attainment of the record one million tonnes, there has been a consistent decline in output to figures of below 900,000 metric tonnes in the following three crop seasons. At less than 700,000 metric tonnes, production in the current 2014/2015 crop is one of the lowest in the past decade. This steady and consistent decline in cocoa production since 2010/2011 is a reflection of both misguided policies and poor implementation of projects pursued by the NDC administration.

These include:

Unreliable supply of inputs to farmers;

New brands of chemical inputs released to cocoa farmers in Ghana without adequate trials and research by designated institutions

Low producer prices paid to farmers;

The politicization of the mass spraying and fertilizer distribution programme;

Smuggling of cocoa and its subsidized inputs into neighbouring countries as a direct consequence of the input distribution system and product pricing policies of government;

The refusal of government to pay annual production bonuses to farmers;

Delay in payment to farmers for their produce even after Parliament has approved of foreign loans to Ghana Cocoa Board to purchase cocoa beans from the farmers.

The failed promises by the NDC Government to provide cocoa farmers with incentives like housing, a pension and feeder roads to cocoa growing communities; and

The mass destruction of cocoa trees by illegal small-scale miners (Galamsey) in major cocoa-producing regions, in particular Western and Ashanti regions.

If these measures are not addressed urgently, there is a danger that annual production could conceivably decline further in the coming years to below 500,000 metric tonnes - the levels of the late 1990's.

FAILED AGRICULTURE POLICIES OF THE NDC GOVERNMENT

Fellow citizens, in spite of the pressing needs of the farmers, the NDC government has not adopted adequate measures to reduce the burden of Ghanaian farmers, contrary to the rhetoric and propaganda. Lack of focus of agricultural policy is reflected in misplaced emphasis on window-dressing schemes such as the Youth in Agriculture, Block Farming and the infamous

Guinea Fowl and Afforestation projects of the Savannah Accelerated Development Authority (SADA). Such programmes ostensibly designed to address youth unemployment in the short term, have absorbed disproportionate amounts of public resources away from the pressing needs of the millions of small-scale farmers around the country who continue to produce the large bulk of agricultural output. What is worrisome is the corrupt management of these projects which has resulted in huge financial losses to the State and the Ghanaian taxpayer.

PETROLEUM REVENUE AND AGRICULTURE

The Petroleum Revenue Management Act (ACT 815) requires the Minister of Finance to select four economic priority areas for allocation of the Annual Budget Funding Amount (ABFA). Since the allocation of the ABFA started in 2011, only 8.5% of the total has so far (up to 2015) been allocated to Agriculture. This clearly indicates the level of priority government gives to the farmers and fisherfolk of this country.

With the initial allocation of GH¢204 million in 2015, only GH¢26.2 million of the ABFA had been released to Agriculture at the end of June 2015. This was to settle the debt on the 2013 fertilizer subsidy programme.

SPECIAL IMPORT LEVY

For the first time ever in the economic history of Ghana, the NDC Government in 2013 imposed a special import levy on the import of agricultural chemicals, farm machinery and equipment, outboard motors, fishing nets, cutlasses and other basic farm inputs. All this in a desperate attempt to raise more taxes. The damage to farmers and fishers was obvious.

The levy increased the cost of farming and increased food prices. Crop farmers, fishermen, poultry farmers and other producers of staple foods were poorer as a result of the imposition of this tax. Consumers of staple foods were also negatively affected. Since the poor in society spend over 60% of their meagre income on food, they were hit hardest by this insensitive levy. No wonder this punitive tax was quietly dropped in 2014.

FERTILIZERS AND OTHER INPUTS

Millions of Ghanaian farmers and fishermen continue to suffer from low productivity because of inadequate supply of improved inputs (seeds, fertilizer, agro chemicals and pre-mix fuel), inaccessible market and farm credit. The thriving black market and the mass smuggling of “free” fertilizer and other chemicals meant for application on cocoa farms, are a clear testimony of the failure of farm input policies.

The 2014 and 2015 Budget Statements provided for the distribution of 180,000 metric tonnes of fertilizers each year to food crop farmers at subsidized prices to promote usage. In spite of the budgetary provision, the government has blatantly failed to supply the subsidized fertilizers to food crop farmers in the two consecutive years of 2014 and 2015.

The fertilizer subsidy programme initiated by the NPP administration in 2007 has now been effectively buried by this government.

The fact that many cocoa farmers are also food crop farmers is lost on this government. Thus, the discrimination in input pricing policy between these two groups of farmers is totally illogical and doomed to failure.

AGRICULTURE EXTENSION

The link between the farmer and modern technology for the needed transformation of Ghanaian agriculture, is the agricultural extension officer. But the ratio of the number of farmers to an extension officer has swollen to 3,000-to-one; one of the highest in the world.

The international standard is 500-to-one. What is worse – a significant number of officers are close to the age of retirement! Yet, in the last seven years recruitment of farm extension officers has remained frozen. Students passing out from our agricultural colleges are dumped on the heap of the mounting youth unemployment.

Apart from frozen recruitment and the retirement age, extension officers at post lack the needed logistics to travel to meet farmers on their farms. Under the NDC administration, extension officers have been denied fuel and field allowances to work with farmers. The recent supply of smart phones to extension officers in a desperate attempt to introduce ICT to extension work is bound to fail unless their transportation difficulties are addressed.

AGRICULTURAL MECHANISATION

Ladies and gentlemen, the plan to establish Agricultural Mechanisation Service Centres (AMSEC) in each district has been repeated in each Budget year since 2009. From 86 centres in 2009 the number of centres reported in the 2015 Budget is 89. Many of the existing centres are closing due to lack of spare parts yet the 2015 Budget states that 41 new centres would be established in 2015.

The plan since 2010 to import 2,000 tractors remains only a promise. Given the unfulfilled promise of establishing farm mechanisation centres in each district, rehabilitation of existing ones would be value for money and would be of benefit to more farmers.

YOUTH IN AGRICULTURE AND BLOCK FARMING PROGRAMMES

These two programmes typify the distraction of policy focus away from the major operators in food and agriculture, i.e. the nearly 5 million small holder farmers and fishermen in this country. These programmes as stated earlier are now absorbing a disproportionate amount of our very scarce public resources.

Average yields per acre of maize and other crops from these two programmes have consistently been below those on small holdings. Apart from the lower productivity, the rate of loan capital recovery is very low. Beneficiaries, most of whom are selected on the basis of political party loyalty, literally walk away without paying for the inputs provided in kind. These programmes have become a huge drain on public resources with little to show for them.

BUFFER STOCK

The Buffer Stock Company Limited established in 2009 is highly under-capitalized for the task assigned to it to support the local grain market. Recent reports of stocks of maize locked up in farming communities in the Northern Region clearly demonstrate the failure of the Buffer Stock Programme of this NDC Government. To make a real impact, the Buffer stock company requires to be a major player in the over 300,000 metric tonne domestic grain market. Yet they do not have the resources to handle 30,000 metric tonnes, which is a tenth of that tonnage. The company has become only a token institution and a drain on public resources rather than an instrument of real intervention in the market to support appropriate and proper grain prices received by poor farmers.

The question we all have to ask is - how are we going to transform the economy if we continue to pursue policies that result in the stagnation of the agricultural sector? There is no transformation taking place in the agricultural sector under this NDC government. Certainly, Agriculture, the largest employer of the

Ghanaian people, under this government has been deformed and not transformed.

In addition to the decline in agriculture, the manufacturing sector is also in decline. The last three years have recorded negative growth in the manufacturing sector with growth at -0.5% in 2013, -0.8% in 2014 and -2.0% in 2015.

If agriculture growth stands at zero and manufacturing growth is negative 2% what exactly has this government been transforming in this economy?

WAMZ COUNTRIES

It is interesting to note that the 2013 average economic growth in countries in the West Africa Monetary Zone (WAMZ) of whom, excepting Nigeria, are non-oil producing was higher than Ghana's. In 2014, just as in 2015, the average GDP growth in these non-oil economies was stronger than Ghana's, an oil-producing country. For the third successive year Ghana could not achieve even one of the ten convergence criteria. Even for the six (6) Rationalized Macroeconomic Convergence Criteria, Ghana scored 0 out of the six and placed us last in the table of nations including the Gambia, Sierra Leone, Liberia, Guinea, and Nigeria. That is the abysmal record that we all are living witnesses of.

For the second successive year, the Minister of Finance, knowing Ghana's position has refused to publish the league of performance of the various countries. The reason for this is not farfetched: the picture will present a

graphic reality about what somebody refers to as the “smoothness level” of Ghana under this government (against countries like the Gambia, Sierra Leone, Liberia, Guinea and Nigeria) , and hence the decision not to show it.

FISCAL DEFICIT

In the 8 years of the NPP, between 2001-2008, the average fiscal deficit as a percentage (%) of GDP was 4.4%. In the last seven years (2009-2015) the fiscal deficit has averaged 8.1%, with three successive years of double digit deficits between 2012-2014 (the first time in Ghana’s history we had recorded double digit deficits in two consecutive years, not to talk of three consecutive years). Today under the IMF bailout program Ghana is trying to get to the 2008 fiscal deficit level of 6.5% which the NDC said was bad. Did we go or did we come?

DEBT STOCK & DEBT SUSTAINABILITY

Unbridled borrowing from the NDC government between 1992-2000 resulted in Ghana’s debt reaching 189% of GDP in 2000. The interest payments on the debt took away critical fiscal space needed for expenditure on health, education and infrastructure. The country therefore opted for the HIPC initiative in 2001 since Ghana’s debt had become unsustainable. By the end of 2008, following the adoption and implementation of the HIPC initiative and the Government’s policy framework of fiscal discipline, the country’s debt to GDP ratio had declined to 27% of GDP (GHC 9.5 billion). Indeed, from independence in 1957 to 2008 Ghana’s total debt amounted to GH¢9.5billion.

However, in the last seven years alone under this NDC government Ghana's total debt has ballooned from GH¢9.5billion to a projected GH¢99billion by the end of 2015! Of this, GH¢54 billion (\$14 billion) is external debt and GH¢45 billion is domestic debt. What is clear is that 90% (i.e. GH¢89.5 billion) of Ghana's total debt since independence has been accumulated under this NDC government between 2009-2015.

Recently, the President, His Excellency John Mahama, stated that 41% of Ghana's external debt of \$14 billion was accumulated by the NPP government between 2001 and 2008. This is not true, to be mild, as Table 1 shows.

TABLE 1. GHANA'S EXTERNAL DEBT (1981-2015)

| YEAR | DEBT (\$ BILLION) |
|------|-------------------|
| 1981 | 1.9 |
| 2000 | 6.1 |
| 2008 | 3.8 |
| 2015 | 14 |

It can be seen that as a result of the HIPC initiative and prudent borrowing, Ghana's external debt stock actually declined from \$6.1 billion in 2000 to \$3.8 billion by 2008 (the first time in history). The debt has since increased by \$10.2 to \$14 billion in 2015. So how is what the President said in Ho possible? The facts therefore show that 72% of Ghana's external debt stock and 90% of Ghana's total debt stock was accumulated during the last seven years.

The President's faulty data on the debt situation, suggests either an unwillingness on his part to be honest (as was seen in his denial of the possibility of Ghana heading to the IMF) to the Ghanaian people on the reckless borrowing and where it has landed us or the possibility that his economic advisors do not tell him the whole truth and thus, he does not appreciate the true scale of the mess.

The more than GH¢91billion increase in the debt stock over seven years represents an increase in the stock of debt by 957.9% over the seven-year period (an average increase in the stock of debt by 136.84% a year!). This is a frightening rate of accumulation of debt by any standard of measure and has resulted in Ghana being classified as a country at high risk of debt distress by the IMF.

It is also important to appreciate the quantum of borrowing that has actually taken place in the last seven years to set the record straight. In US dollar terms, this NDC government has borrowed the equivalent (at the time of borrowing) of about \$37 billion in seven years!! (Table 2).

Table 2. Dollar Value of Government Borrowing (2009-2015) - Billions

| | Total Debt (GHC) | Additional Debt (GHC) | Exchange Rate GHC/US Dollar | Additional Debt (US\$) |
|-------|------------------|-----------------------|-----------------------------|------------------------|
| 2008 | 9.5 | | | |
| 2009 | 13.2 | 3.7 | 1.42 | 2.61 |
| 2010 | 17.3 | 4.1 | 1.47 | 2.79 |
| 2011 | 26.1 | 8.8 | 1.55 | 5.68 |
| 2012 | 37.7 | 11.6 | 1.88 | 6.17 |
| 2013 | 49.9 | 12.2 | 2.2 | 5.55 |
| 2014 | 76.1 | 26.2 | 3.2 | 8.19 |
| 2015 | 99 | 23 | 3.8 | 6.05 |
| Total | | 89.6 | | 37.03 |

Contrary to what the government will have us believe, exchange rate depreciation has rather reduced the book value of Ghana's debt in dollar terms. So that even though government has borrowed the equivalent of \$37 billion in 7 years, the book value of the debt would be some \$26 billion (GHC 99 billion) by the end of 2015. It is important to understand this point because it appears that this government does not.

Take the following example. Assume that today the exchange rate of the cedi to the dollar is 1:1. If you borrow GHC100 today, it would mean that you have borrowed the equivalent of \$100 dollars and you should be able to do projects worth \$100. In a few years time if the exchange rate depreciates to 4 cedis to one dollar, then the 100 cedis you borrowed a few years ago would be worth some \$25 today. This does not however mean that you did not borrow the equivalent of a \$100 dollars initially and we should expect to see a \$100 worth of projects. You cannot suddenly claim that you actually borrowed \$25 a few years ago and so you are only to account for \$25 worth of projects. Using

current exchange rates in determining the equivalent amount borrowed in the past is misleading because it ignores the value of the debt at the time it was borrowed. Using current exchange rates would underestimate the value of the borrowing because of exchange rate depreciation. We are here concerned about the value of the projects that could have been financed at the time the money was borrowed.

In 2015, interest payment amounted to more than GH¢9.6 billion. That figure was more than the total debt stock of GH¢9.5 billion in 2008 at the end of President Kufuor's term for which debt stock both President Mills and John Mahama lampooned the NPP government.

To put the interest payments on the debt in context, we should note that the entire allocations in the 2016 budget to the Ministries of Roads and Highways, Trade and Industry, Food and Agriculture, Water Resources, Works and Housing, Youth and Sports, and Ministry of Transport amounted to a total of GH¢2.1 billion. Interest payment in 2016 (GH¢10.5 billion) would be five times what was allocated to these six key ministries combined. In 2015 the GH¢9.6 billion allocated to interest payment on the debt stock was about 3.4 times the entire allocations to the six key ministries listed above. So it gets worse by the year – as interest payments go up, the space for development shrinks.

Given the precarious nature of Ghana's debt situation, one would have expected some bold measures in the 2016 budget to fundamentally reduce the increasing debt overhang which, if not dealt with, would push Ghana into the high debt/low growth trap for several years. Rather, there is no sign of a slowdown

in borrowing as the government is planning more Eurobond issues in 2016 and 2017.

The interest payments on the debt stock in 2015 was six times Ghana's oil revenue. The oil discovery has basically been compromised over the last seven years by the government's recklessness and incompetence. The government's willingness to borrow \$1 billion on the international capital markets at an interest rate of 10.75% is a demonstration of recklessness. We should recall that this is the same government that criticized the NPP government for borrowing at 8.5% on its debut bond in 2007 when interest rates were much higher internationally. While the 2007 Eurobond was obtained at a spread of 3.8% above US treasuries, the 2015 Eurobond was obtained at a spread of some 8.4% above US Treasuries. What the government has done in this regard can be compared to taking a microfinance loan to refinance a bank loan. Yet instead of bowing its head in shame, this government rather unbelievably attempted to pass it on as some sort of achievement.

INTEREST RATES

One of the consequences of the insatiable appetite for government borrowing to finance large fiscal deficits has been the high and rising interest rates faced by borrowers in Ghana. Ghana today is amongst the countries with the highest interest rates in the world. The Bank of Ghana Policy rate was recently increased to 26%, the highest policy rate since the start of the inflation targeting regime in 2002. 91-day Treasury bill rates are at some 24% and mortgage loans are at some 33%! Banks and savings and loans companies are

charging interest rates at over 30%. The days when banks used to chase customers to come for loans are long gone. Today banks are shying away from lending to businesses. Why risk lending to business when you can get a 25% risk-free return from government? Banks are therefore focusing on lending to government and crowding out the private sector in the process. This used to also be the case when the NDC was last in government – the value indeed is still the same.

EXCHANGE RATE

The Ghana cedi has recently obtained the dubious distinction of being one of the worst performing currencies in the world as a result of weak fundamentals and some misguided policies by the central bank. The cedi has depreciated from some GHc1.2 to the dollar in 2009 to GHC 3.80 to the dollar currently, having reached GHC4.7 to the US dollar earlier this year. The cumulative depreciation of cedi in the last seven years stands at 70% and by the end of 2016 the cumulative cedi depreciation would likely be at least 90% in eight years. This is in contrast to the remarkable stability of the cedi during the eight years of NPP government, with a cumulative cedi depreciation of some 40% in eight years.

THE ENERGY CRISIS – THE LOAD SHEDDING (“DUMSOR”) PROBLEM

Over the last four years Ghana has been experiencing severe shortages of electricity for domestic and industrial use. This has resulted in implementation of a regular as well as irregular load-shedding program that has been christened “dumsor” by Ghanaians. It is a fact that this government inherited

an economy without dumsor in 2009. By 2012 however dumsor was the order of the day. In response, Government started a promising spree which with hindsight shows either they did not quite understand the problem or they were deliberately misleading Ghanaians. The timeline of promises are as follows:

1. September 4th 2012 -- "I have directed an Inter-ministerial committee chaired by the minister with immediate effect... to ensure that your power supply are not unduly disrupted

“While we are assured that there would be resumption of supply from WAGP in next few weeks, we will redouble our efforts to make up the shortfall ourselves by speeding up projects we have been working on. We have galvanized every effort to increase our generating capacity, in order that the minimum demand by our industries is met. By the end of October, we will have an additional 300 megawatts of electricity production that will come online for distribution, and this should greatly reduce the inconvenience of load-shedding.”- At the time, Dumsor was only a few hours per every 72 hours

2. October 4 2012 -- Load shedding will soon be a thing of the past- Mahama -- Launch of NDC Manifesto

“Ghana has a comparative advantage when it comes to production of energy. In the second NDC administration the issue of load shedding will be a thing of the past. It will never happen again. I say this because we have established the foundation to be able to achieve this promise

“our vision is to hit 5000 megawatts of power production a day in Ghana by 2015. Currently, Ghana produces a little over 2000 megawatts. Between now and the end of the year it is our hope to put in about 350 more megawatts. Early

next year, we expect another 700 megawatts to come into the system and this will make Ghana a net exporter of power.”

3. October 29th 2012 - Load Shedding to End by November 30 – VRA (Kweku Awotwi, CEO speaking to Joy News)

4. 30 October 2012 – Dumsor Act of God to end by 1st year of next term (2012)-- IEA Debate

‘A ship’s anchor cut off the West African Gas Pipeline and so 320 mw taken from the system which has necessitated load shedding at peak hours. That would end by mid November. The pipeline has been repaired, the sea water has been pumped out, the pipeline is being dried for transmission of gas to begin. We are putting in additional thermal plants to ensure that load shedding is a thing of the past. And I have said as President that by the end of the first year of my next term of office, load shedding will be a thing of the past because we are going to add 820 megawatts of new generation into our system’

5. 2nd November 2012 – Off Peak Load shedding to end by 5th November 2012 and load shedding to end by 15th November – Joe Oteng Adjei, Minister of Energy at Press Conference Organized by Ministry of Energy

“The full complement of the fuel required to fully integrate the system should be in the country by November 15, 2012. The first batch of fuel supply is being off-loaded now and we expect it to be ready for use by Monday 5th November

2012. Our target is to eliminate completely the load shedding program for off-peak from Monday 5th November and that for the peak period whenever the full complement of fuel supply arrives in the country.”

6. 8th November 2012 - Load shedding to end by December - VRA (Kweku Awortwi) at a news conference was organized in collaboration with Ghana Grid Company (GridCo) and the Electricity Company of Ghana (ECG)

7. 20th February 2013 -- Load Shedding will end Mid-Year – Mahama - Swearing in of Council of State

“If the West African gas pipe line comes on in April then Asogli can come back on and that will bring another 220 megawatts immediately and that will give us more than enough. I wish to assure the people of Ghana that we are working very hard to reduce the load shedding”.

“I’m as uncomfortable with it as everybody else is and I’ll do everything possible to make sure that we end the load shedding by the middle of the year”.

8. March 2013 --Power crisis to end in June; consumers to pay more – VRA presentation to Parliamentary select committee on energy

9. April 8th 2013 -- Never Again Shall Ghana Experience Load Shedding ... Off Peak Dumsor ended - Mahama Assures Nation

Government will ensure that never again shall we experience the load shedding in the coming years,” he added. President Mahama said this when at the National Prayer and Thanksgiving Service at the Black Star Square, in Accra.

10. April 30 2013 -- Load shedding to end first week in May – Energy Ministry statement signed by Edward Bawa

“The Ministry can therefore state that based on our current peak load demand and available generation capacity, the Load management programme should end by the first week of May 2013 as promised earlier by the President of the Republic. “

11. December 15, 2013--- Energy Crisis is solved – Mahama (at the inauguration of the Revival Restoration Centre of the Assemblies of God Church in Accra)

We had the energy crises, which was popularly called ‘Dumsor’ and I was appropriately labelled the “apostle of ‘Dumsor’, ‘Dumsor’ and Ghanaians in their usual humour crafted a very interesting greeting that said “Yema mo dumsor oo,” then another responds “Yaa Mahama”.

I told them that I was working on the energy crises and we would solve it and I said that when we did, they should remember to use the greeting ‘Yama mo Kania oo’, with a response ‘Yaa Mahama’. However, very often in Ghana we have a very short memory.

The energy crises is solved and we don’t remember the darkness we were in. We have put that behind us and we are looking at what the other challenges are,” said the President.

12. May 2014 -- Pray for rains to end power crisis -Energy Minister rallies Ghanaians on Good Evening Ghana

"What we have to do is to pray that this year the rains will come enough for Bui [dam] to give us at least 200 megawatts".

13. October 10 2014 -- Gov't taking immediate steps to tackle energy crisis; Gov't adopts 'cocktail strategy' to end power crisis - Energy Ministry, Edward Bawa speaking to Joy News

14. 27 November 2014 -- I will reduce the Impact of Dumsor --- Mahama - Good Evening Ghana

President John Mahama says he has learnt not to make anymore promises on when the current power crisis facing the country will end.

If anything, he said his government is working assiduously to reduce the intensity of what has been described as the dumsor regime.

15. 27th November 2014 -- Power Crisis Over In May ... Energy Ministry assures nation - Jinapor told Parliament when he represented his Minister to answer questions

16. 16th December -- I will End Dumsor -- Power Minister, Kwabena Donkor at his vetting

**17. 24th December 2014 -- Minister Orders VRA to End Dumsor....
Generators to be disconnected within six months (On his maiden
visit to the Aboadze Thermal Plant)**

“I urge you to put measures in place to end the current power crisis within six months”, he stressed.

Dr. Donkor, indicated that he would authorise all power generators at the various VRA bungalows and chief executive officers’ residences to be disconnected if the crisis continued after the six-month period.

He noted that his intended action would make workers of VRA and TiCO experience how it feels to sleep in darkness as being experienced by ordinary Ghanaians.

**18. 31st December 2014 -- "I will banish Dumsor Forever"- John
Mahama**

“Now this is the interesting part; it [2015] will be one in which we will banish darkness from our land and put an end to dumsor forever,” he said

**19. May 1 2015- Lack of money not cause of 'dumsor' – Prez
Mahama at May Day Celebrations**

“Our current challenge is not because we don’t have money to buy crude oil as some people will want us to believe.

**20. "If you want Dumsor to end then you have to PAY
HIGHER ELECTRICITY BILLS".... John Mahama, October 19, 2015**

Speaking on Garden City Radio in the Ashanti Region, President Mahama said dumsor would only end if Ghanaians would become realistic and pay more for power supply.

"If we genuinely want reliable, sustainable power then the price will have to go up...that is the reality...if we don't want any more dumsor then we will have to pay more," President Mahama said.

**21. November 14th 2015 - "Dumsor will end before elections 2016"
– Mahama told supporters in Tamale**

KARPOWER

After promising to resign if dumsor is not over by the end of the year (2015) the Minister of Power now says he was talking about load shedding and not dumsor. We are still trying to understand what he means. The fact remains that four years down the road, dumsor is still present and the government has just announced the arrival of an **emergency solution for ten years** by contracting a power barge from Turkey with a reported \$100 million guarantee for fuel at the same time as VRA has shut down its plants because it cannot purchase fuel. A 225 mw plant like the Karpower plant will cost some \$225 million and we will own it – with the unit cost of a megawatt plant at \$1million. Under the Karpower deal, we will pay for the power from the barge for the next

ten years whether we use it or not. ACEP estimates that based on the capacity charge alone which is 5.6cents per kWh, it will cost Ghana some \$1 billion for 10 years. This however excludes the fuel cost of a requirement of 35000 tonnes per month. After 10 years the barge will sail away; when we could have built a 1,000 megawatt plant for ourselves. Power from the barge would also cost at least twice that supplied currently from Takoradi. This really does not make sense.

Dumsor not Technical but Financial

After several denials by Government, it should now be clear to Ghanaians that the current energy crisis is not a result of inadequate installed capacity but rather a lack of financial resources to utilize the installed capacity. Installed capacity in Ghana stands at 2,923.5 mw, with peak system demand at 2,200.0 mw, leaving excess capacity over demand of 723.5 mw

Government is highly indebted to VRA and ECG. Government owes ECG some GHC700 million and owes VRA GHC1.0 billion. VRA, owes its creditors, including Nigeria gas and West Africa Pipeline Company, a total of \$1.3 billion. This has compromised the balance sheet of VRA and its ability to import crude oil for the generation of power. Currently VRA has shut down a number of its plants because it is unable to purchase fuel to run them. Ghana owes Nigeria Gas some US\$170 million which the country is struggling to pay.

Why is it that after four years of trying, the government has still not found a solution to the problem? The simple answer is that the government has been in

denial and has not prioritized this issue. The government has borrowed \$3 billion in the last three years from the issue of Eurobonds alone. In total government has borrowed the equivalent at the time of borrowing of \$37 billion. How much of these borrowed funds have been used to address the dumsor problem? If this was a priority for government, the necessary allocation of resources would have been made to solve it.

President Mahama's latest comments in Tamale that Dumsor will end before the 2016 Election and cannot be used for politics exposes the thinking of the government and the President. For the President and his government, Dumsor is not an economic issue but a political issue. They care little about the businesses dumsor has collapsed or the jobs dumsor has collapsed in the past 4 years. Rather, their major concern is what can be used come the election year and what cannot be used. Solving dumsor clearly has not been a priority these past four years and may only become a priority as we get close to the election.

RESOURCE INFLOWS

It is important to re-emphasize for the records that no government since independence has had the amount of resources in terms tax revenue, cocoa exports, gold exports, oil revenues and loans as the NDC administrations between 2009 and 2015.

In the eight years of the Kufuor administration i.e. 2001-2008, the **total tax revenue** collected was GH¢15.2billion. Between 2009 and 2015 the Mills-Mahama administration has collected GH¢ 90billion in taxes, six times more in these 7 years.

Between 2001-2008 **gold exports** amounted to US\$9billion; between 2009-2015 gold exports have grossed \$28billion.

Cocoa exports between 2001-2008 yielded US\$7.4 billion. In the seven years of the Mills-Mahama regime cocoa exports have amounted to **US\$17billion**. The Revenue from the last year is yet to be reckoned.

During the period of the Mills-Mahama administration Ghana has become an **oil exporter**. By the end of the seventh year Ghana would have exported over US\$15.5billion of oil over the past five years. The country has earned about \$4billion from oil during the 5-year period. From independence up to 2008 no government had earned any revenues from petroleum exports.

Taxes, oil revenue, and loans alone over the past 7 years amount to some GH¢200billion.

In contrast, under the 8 years of the NPP government, from 2001-2008, taxes, loans and exports amounted to GH¢20billion. The Mills-Mahama governments have had, in seven years, more than 10 times the nominal resources that the NPP had in 8 years.

The tragedy is that despite all these resources at its disposal, the economy is in deep trouble:

Government is in arrears with NHIS payments

Government is in arrears with GETFUND payments

Government is in arrears with DACF payments

Government is in arrears with payments to contractors

Government cannot pay teacher trainee allowances

Government cannot pay nursing trainee allowances

Government is in arrears for the payment of national service staff

Government is having trouble paying salaries of workers. Some workers have gone for 18 months without salary

The government has put Ghana in a state of high indebtedness as was the case under HIPC. Ghana's debt to GDP ratio at the end of 2015 would stand at 74% (beyond the threshold for debt sustainability).

Economic growth has slowed down to 4.0% this year

Ghana's currency is the worst performing currency in Africa over the last two years.

"Dumsor" is still the order of the day after four years

Businesses are collapsing

Government has already committed under the IMF program to increasing utility tariffs. The PURC's purported consultations with the public on the utility price increase is, simply put, a charade. They are as usual throwing dust into the eyes of Ghanaians.

Unemployment is high and increasing – Government has committed under the IMF program to lay off workers after the 2016 election. But they will not admit it today if you ask them. The fact, however, is that one of the conditionalities for the IMF bailout program, was a commitment by this NDC government to rationalize the size of the civil service. Paragraph 65 of the agreement with the IMF states as follows:

C. Civil Service Reform

65. The Government will undertake, with the assistance of development partners, a comprehensive plan to rationalize the size and increase the efficiency of the civil service and allied services on the payroll. The related strategic plan will be ready in December 2015, the results of which will inform the actual rationalization of staff, which is expected to begin in 2017.

What is clear from this is that the government has agreed to rationalize the “**SIZE**” of the civil service. Secondly the Plan to do this rationalization will be ready by December 2015 (next month). Thirdly, the implementation of the plan will begin in 2017 (i.e. after the elections).

On this issue, we demand maximum transparency from the Government and the IMF. If the plan for the rationalization of the size of the civil service (i.e. layoffs) would be ready in December 2015 why wait till 2017 for implementation? Isn't this reform supposed to help this struggling economy? Why the delay in implementing it if it is so good for the economy? The government is not being transparent on this issue. It is only because this government does not want workers to know the truth about what they have agreed to do before the election in 2016. We are therefore asking that the plan for the rationalization of the size of the civil service be made public by both the Government and the IMF in the spirit of transparency and accountability.

What was curious about the Minister of Finance's reading of the 2016 budget was that the Minister unusually kept largely quite on tax increases. Upon a closer examination of the 2016 budget however, it is clear that many taxes have been imposed in the budget to further burden the already highly burdened Ghanaian business community and tax payer. These include:

- An increase in the capital gains tax from 15% to 25%
- In increase in withholding tax on services from 5% to 15%
- Re-imposition of excise duty rate of 17.5% on cider and beer
- A new Energy levy for utilities

- A new Mitigation levy for utilities

The hardships being imposed on Ghanaians are therefore continuing unabated in the 2016 budget. The increase in the capital gains tax also makes Ghana less attractive to investors. The 2016 budget is a continuing story of more taxes, more cuts in expenditure, more borrowing, higher utility tariffs, higher cost of living, less growth and more unemployment.

Also, the 2016 budget is not different from the 2012 election year in the way government has padded the allocation to office Government machinery. The Administration sector is the only subsector to have its allocation increased by 58.4% whereas some others had negative allocation. General Government services also had its allocations upped by 83.7% from the 2015 allocation. For all intents and purposes, these allocations are general elections related. For this NDC government, winning elections has always been more important than prudently managing the economy.

USE OF RESOURCES

With the relatively small amount of resources available to the NPP in 8 years of government (GHC20 billion from taxes and loans), the achievements were phenomenal. The economy was transformed from a low income HIPC economy to a middle income economy during that period. The projects undertaken included:

- National Youth Employment Programme –providing opportunities and jobs for the youth to get a start in the job market
- The School Feeding Programme to provide food to pupils in basic schools
- Capitation Grant to make education affordable and accessible
- Free Metro Bus ride for children in basic school.
- The National Health Insurance Scheme (NHIS) to provide accessible healthcare to the population.
- The National Youth Employment Programme (NYEP)
- Free maternal care for all pregnant women under the NHIS.
- Introduction of a Metro Mass Transit transport service for urban areas to provide subsidized transport for commuters and a free bus ride for basic school pupils in Ghana.
- Introduction of the Livelihood Empowerment Against Poverty (LEAP) programme under which welfare grants are paid to the extreme poor.

WATER PROJECTS (EXAMPLES)

Cape coast

Tamale

Ada/Sege

Winneba

Barekese system expansion

Weija system expansion

Baafikrom water expansion

Akwapim. Ridge

Akim Oda Water

Koforidua Expansion
New Tafo Rehabilitation
Winneba Expansion
Kwanyaku Expansion
Bawjiase Water Extension
Brimsu Dredging
Sekondi Takoradi Expansion
Kumasi Expansion
East-West Accra Interconnection

EDUCATION PROJECTS (EXAMPLES)

- Basic Education redefined to include Kindergarten
- Construction of campuses for university of development studies (UDS) at Nyanpkala, Navrongo, and Wa
- Bolgatanga Polytechnic
- Wa Polytechnic
- Established the University of Mines and Technology at Tarkwa
- University of Education Winneba granted full Autonomy

- Established Ghana Telecom University
- 38 Teacher training colleges upgraded to diploma awarding institutions with massive infrastructure upgrade and 15 designated as science colleges
- 56 model senior secondary schools started and 31 completed
- 130 classrooms for polytechnics
- 31 lecture Theatre halls built at various university campuses
- Medical school at University of Cape Coast
- Introduction of distance education
- 1,334 New JHS blocks
- 1,331 primary schools

HEALTH (EXAMPLES)

-
- New Hostel & Classroom Blocks for Bawku NTC
- New Classroom, Library, Staff Offices Block for Offinso MTS
- New Classroom, Library, Staff Offices Block for Kumasi NTC

- Rehabilitation of Hostel Block & new classroom block for KBTH NTC/MTC
- New Classroom, Library, Staff Offices Block for Essiama NTC
- New Hostel Block for Berekum NTC/MTS
- New Classroom Block for Jirapa NTC
- New Classroom Block for Navrongo CHNTS
- New Classroom Block for Kintampo RHTS
- New Classroom Block for Sefwi-Wiawso CHNTS
- New Classroom Block for Cape Coast NTC
- New Classroom Block for Winneba CHNTS
- Rehabilitation of existing Offices and construction of new office block for the Pharmacy Council in Accra
- Rehabilitation of Polyclinic for KATH at Kumasi
- Construction of new Kologo Health Centre
- Rehabilitation and upgrade of Twifo Praso Health Centre
- Rehabilitation of Central Medical Stores, Tema
- New Nurses' block of Flats for KATH at Kumasi
- Construction of new Bawlebeselle Health Centre
- New Hostel Block for Kumasi NTC
- Construction of Doctors' Block of Flats at KATH, Kumasi
- Classroom Block & Hostel Blocks for Agogo NTC
- New hostel block for Cape Coast NTC
- Remodeling of an abandoned structure into hostel, classroom, staff offices for newly created Sunyani NTC
- New hostel for Jirapa NTC
- New classroom block for Pantang NTC, Accra

- New hostel block and rehabilitation of classroom block for Atibie MTS
- New hostel block for Navrongo NTC
- Remodeling of existing structure into classroom, staff offices for Keta CHNTS
- Remodeling of hostel block for Sekondi NTC
- New classroom block for Ho NTC & CHNTS
-
- New Nsawora Health Centre,
- New Abirem Health Centre
- New Asawinso Health Centre
- Rehabilitation of Medical Block at KBTH, Accra
- Completion of abandoned Doctors' Flats at KBTH, Accra
- Major expansion of Bolgatanga Regional Hospital
- Completion of classroom block at Berekum NTC
- New Classroom and hostel blocks at Bolgatanga MTS
- New Classroom at Tamale NTC
- Construction of new Classroom Block at Ashanti-Mampong MTS
- Epidemiology Block for GHS at KBTH, Accra
- CHIP Compunds at various locations nationwide
- Construction of GHS Office Complex
- Const. of Classroom Blk at Akim Oda CHNTS
- Accident and Emergency Centre, new Mortuary and rehabilitation of OPD at the Komfo Anokye Teaching
- Clinical Laboratory Improvement Project (CLIP)
- Completion of works at Twifu Praso Hospital

- Completion of works at New Abirem Hospital
- Completion of works at Shama Health Center
- Completion of works at Adabokrom Health Center
- Completion of works at Asawinso Health Center
- Completion of works at Nsawora Health Center
- Construction of Pharmacy Block at La Polyclinic
- Nationwide Dental Facilities
- New offices for the National Health Insurance head office in Accra
-
- Laboratory Automation for 26 Hospitals under the Clinical Laboratory Strengthening Project
- Rehabilitation of Sefwi Wiawso hospital
- Construction of 4 hospitals at Juabeso Bia, New Edubiase, Bimbila, Nkwanta,
-
- Provision of Mobile Dental facilities
-
- Upgrading of Nursing Training to Diploma awarding institutions
- Setting up Twifo Praso Nursing school
- Dunkwa on Offin health and nursing training school
-
- 37 Military Hospital was expanded and considerably refurbished
-
- College of Physicians and Surgeons

- National Ambulance System
- Secured €54million Dutch grant for upgrade of Tamale Regional Hospital) to Tamale Teaching Hospital
- New district hospitals initiated at Wa, Kumasi South, Manhyia, Konongo Odumasi, Adenta/Madina, Tepa, and Salaga. Polyclinics at Karaga, Kpandai, Tatale, Buiepe, Janga and Chereponi

Road network

The nation's road network stood at 37,321 km at the end of fiscal year 2000, increased to 56,057 km at the end of 2004, moved further up to 67,291 km at the close of year 2008, increased slightly to 68,134 km at the end of 2012 and as at the close of December 2014 stood at 71,063 km.

| AGENCY | YEAR | | | | | | |
|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2000 | 2002 | 2004 | 2006 | 2008 | 2012 | 2014 |
| GHA | 11,122 | 12,656 | 12,700 | 12,786 | 12,697* | 13,344 | 14,873 |
| DFR | 23,999 | 32,597 | 38,561 | 40,671 | 42,194 | 42,190 | 42,190 |
| DUR | 2,200 | 4,064 | 4,796 | 9,764 | 12,400 | 12,600 | 14,000 |
| TOTAL | 37,321 | 49,317 | 56,057 | 63,221 | 67,291 | 68,134 | 71,063 |

**Some trunk roads within the cities of Accra and Kumasi and other major cities ceded to Department of Urban Roads.*

The nation's road network increased by 18,736 km and 29,970 km during the four (4) and eight (8) years of NPP-led administration respectively. At the end

of year 2008 the network size met as at the end of December 2000 has been increased about 80%.

ROADS AND HIGH WAYS (EXAMPLES -2001-2008)

Accra-Yamorasa

Accra-Aflao

Kadjebi-Pepesu

Manso-Asankragwa

Axim Junction- Tarkwa

Abuakwa - Bibiani

Tinga-Bole

Pantang- Mamfe

Kpando-Worawora/Dambai-

Wenchi-Sampa

Tamale- Yendi

Malam interchange

Mallam-Tetteh Quarshie (N1)

. Jasikan-Brewenkese

. Axim Junction- Tarkwa

Pantang – Mamfe 29.4 km

Tetteh Quarshie Interchange

Ashaiman – Motorway Flyover

Achimota Interchange

Alajo – Avenor

Asafo Interchange

The Accra – Kumasi Highway is divided into 7 sections

Ofankor – Nsawam (17.6 km)

Apedwa – Bunso (22.0km)

Bunso Anyinam (11.5km)

Anyinam – Konongo (89.1km)

Konongo – Ejisu – Kumasi (44.6km)

Achimota – Ofankor (6.3 km) - uncompleted

Nsawam – Apedwa (41.6 km) - uncompleted

The NPP completed 5 of these 7 sections; leaving the Achimota Ofankor and Nsawam – Apedwa sections. After eight years the government has not been able to complete fully what it was left with.

In spite of the road projects completed by the NDC-led government on projects such as Fufulso-Damango-Sawla, Asankragwa-Enchi, DodiPepesu-Nkwanta, Awoshie-Pokuase, Tarkwa-Bogoso-Ayamfuri, Ayamfuri-Asawinso, Burma Camp and Giffard Roads among others, their lengths do not add up to 2% of the nation's network as at 2014 fiscal year. In fact, the development of roads in all the three categories, that is, Trunk, Feeder and Urban has suffered setback since January 2009. The Mills-Mahama NDC-led government for the first four (4) years in office tarred only 652 km of roads whilst the Kuffuor-Aliu Mahama NPP-led government for the same length of time, that is, between 2001 and 2004 tarred 2598 km of roads. During the second term of the NPP-led administration (2005 - 2008) 4413 km of roads were tarred, all with much less resources.

ENERGY SECTOR PROJECTS (EXAMPLES)

- Oil Discovered in commercial quantities
- West African Gas Pipeline Project.
- Bui Dam
- June 2007, in response to the energy crisis, a total of 200 megawatts of generation capacity had already been installed through the Emergency Power as well the Mines Reserve Plants of 126 mw and 80 mw capacities respectively
- various other plants which were initiated, designed, negotiated and contracted by the Kufuor government to be installed, and were at various stages of implementation. These include the 126 megawatts VRA Tema Thermal 1 Plant, the 50 megawatts Tema Thermal 2 Plant, the 220 megawatts Kpone Thermal Plant as well as the 126 megawatts Osono Plant.
- the construction of the 132 megawatts Plant at Aboadze called Takoradi 1 Plant was initiated in 2007 as a 220 megawatts plant by the Kufuor government.

- The 220 megawatts Sunon Asogli Plant was completed towards the end of the Kufuor administration,

OTHER PROJECTS

- Golden Jubilee House or Flagstaff House
- World class stadia rehabilitated in Accra and Kumasi
- New stadia built in Essipong (Takoradi) and Tamale
- Accra-Tema Commuter Railway line
- Peduase Lodge renovation
- Rehabilitation of Tamale, Kumasi and Takoradi airports
- Rehabilitation and expansion works at the Kotoka International Airport, Tema and Takoradi Harbours
- Kofi Annan Centre of Excellence for IT

FINANCIAL SECTOR REFORMS

- Bank of Ghana Act 2002
- Monetary Policy Committee (MPC) process – Transparency

- Introduction of Universal Banking
- Abolishing Secondary Reserve Requirements
- Banking Act 2004
- Banking Amendment Act 2007 – Offshore Banking
- Long Term Savings Act 2004
- Venture Capital Trust Fund Act 2004
- Payment System Act, 2003
- Foreign Exchange Act 2006
- Anti-Money Laundering Act 2008
- Credit Reporting Act 2008
- Licensing of first Credit Reference Bureau
- Establishment of a Collateral Registry
- Insolvency Act, 2003
- Home Finance Act 2008
- Non-Bank Financial Institutions Act 2008
- Central Securities Depository Act 2007
- Insurance Act 2006 (Act 724)
- National Pensions Act 2008
- Treasury Single Account initiated
- Rural Banking Reforms:
 - o ARB Apex Regulations 2006 (L.I. 1825)
 - Payment and Settlement System Reforms
 - o Real Time Gross Settlement System (RTGS)
 - o Central Securities Depository (CSD)
 - o Automated Clearing House (ACH)
 - o Cheque Codeline Clearing (CCC)

- o Ezwich

- Ghana Interbank Payment and Settlement Systems (GHIPSS)

Redenomination of the Currency which has saved Ghana about \$200 million in the cost of printing currency so far.

The financial sector reforms resulted in a deepening of the financial sector and a situation where banks were chasing customers for loans.

What is clear from the foregoing is that with much less resources at its disposal and without oil, the investment in infrastructure under the NPP along with social interventions was massive.

With many times more resources than the NPP, the question is what has the NDC done with all the resources under its control over the last seven years? The NDC has attempted to hoodwink Ghanaians by arguing that the money has been spent on infrastructure projects.

The evidence however has exposed this propaganda. The evidence shows that notwithstanding the massive increase in the debt stock, capital expenditure as a percentage (%) of GDP has actually been on the decline from 9.1% of GDP in 2008 to 4.1% by 2015. Capital expenditure as a percentage of GDP averaged 11% for 2001-2008 (without oil) while that for 2009-2015 has averaged 5.7% (with oil).

This means that contrary to all the government claims of an increase in infrastructure expenditure on projects all over the country, the reality is that

Ghana's expenditure on infrastructure relative to GDP is declining. The numbers indicate that relative to GDP, this government is investing about half what the previous government invested in infrastructure. It is in fact a travesty that Ghana before the discovery of oil was spending a higher proportion of its income on infrastructure investment than after the discovery of oil and the massive increase in the debt stock. This decline in investment in infrastructure runs counter to what one would have expected.

Indeed, according to the Managing Director of the IMF most of Ghana's borrowing has been used for consumption and not for investment. The overpricing of contracts, corruption and the absence of value for money considerations is partly responsible for this. For example, a runway rehabilitation alone at Kumasi airport cost this country \$23.8 million whereas a proposed airport at Ho is estimated at \$25 million. Was the runway in Kumasi paved with gold? When one considers the quantum of borrowed resources alone, one can only imagine what would have happened if each region were allocated \$3billion of the borrowed funds for infrastructure development.

COMPETENCE

After this sad catalogue of the state of our country, it is remarkable that the President will complain about the use of the word "incompetent" but we understand that His Excellency the President does not want us to use the word "incompetent" to describe the performance of his government. So we set our minds to finding out what the NDC government has been competent at doing in

the last seven years. Actually, we have to admit that this NDC government is very competent at the following:

- Mismanaging the economy
- Creating looting and sharing
- Propaganda
- Perpetuating Dumsor
- Increasing Unemployment
- Collapsing the NHIS
- Cancelling teacher trainee allowances
- Cancelling nursing trainee allowances
- Not meeting statutory payments
- Not paying contractors
- Making SADA guinea fowls run to Burkina Faso
- Collapsing Industries
- Collapsing agriculture
- Causing massive exchange rate depreciation
- Massive unsustainable borrowing
- Causing high interest rates
- Failing to fulfil their promises

As a matter of record we want to reiterate that not only do we say that this NDC government is incompetent, we also add that the Government is very corrupt . But it looks like His Excellency, the President was only upset about the incompetence bit and not the corruption, for reasons we have not yet been told. But possibly, his failure to protest at this other description is an acceptance of

the generally accepted belief that he has lost the fight against corruption. Transparency International in a report released yesterday (December 1, 2015) on Corruption perceptions ranks Ghana as the second most corrupt country in Africa. The toxic mixture of incompetence and corruption has resulted in an explosion of suffering in the country.

- Teachers are suffering
- Teacher trainees are suffering
- Nurses are suffering
- Nursing trainees are suffering
- Patients are suffering
- Students are suffering
- Traders are suffering
- Pensioners are suffering
- Drivers are suffering
- Contractors are suffering
- Civil servants are suffering
- Farmers are suffering
- Industries are suffering
- Kayayei are suffering

This NDC government has also proven over the last seven years that it lacks credibility in the management of the economy. A few examples will suffice:

- The Government entered an agreement with Printex for school uniforms to be manufactured in Ghana. Today, the textile industry is

losing thousands of jobs and the government has reneged on this agreement

- The government promised the allocation of GHC100 million a year to SADA for 20 years. The allocation in the 2015 budget was GHC25,000, when we complained, the allocation in the 2016 budget was a significant zero.
- The government denied that it had defaulted on repayment of loans to the AfDB only to be found out by the evidence
- The government denied that it had used the 2014 \$1 billion Eurobond proceeds to repay Bank of Ghana Debt until they were exposed by the facts.
- They promised that dumsor will be a thing of the past in 2013.
- What happened to the understandings reached at Senchi as contained in the Senchi Consensus? It turned out, as we knew, to be a propaganda exercise.
- The government denied that they would seek an IMF bailout
- They are denying that they will lay off civil servants in 2017
- They promised to make Ghana the cleanest country in west Africa. Today, according to UNICEF, Ghana has placed second in cholera ranking in West Africa with 28,944 cases

The 2016 budget that was submitted to Parliament has apparently been replaced by another budget because the original budget submitted to parliament was full of errors. This is not the hallmark of a serious government.

Fellow Ghanaians, it is time to change this government. It is time to build a new globally competitive economy with the NPP under the leadership of Nana Addo Dankwa Akufo Addo. The immediate goal is to make Ghana the most people friendly and most business friendly economy in Africa.

NPP budgets will be therefore be driven by this underlying objective.

THE ALTERNATIVE VISION AND POLICY FRAMEWORK

We recognize that economic management must move side by side with an institutional framework of good governance. The following policies will be critical in building this new economy in this regard.

1. Ghana must put in place an effective legal framework to make sure the politicians on all sides are discouraged from wreaking havoc on the poor people of Ghana for their own selfish interests. We need a legal framework to anchor fiscal discipline. The passage and enforcement of a Fiscal Responsibility Act that has bite will be important in this regard if it

is supported by political will. A Fiscal Responsibility law will require governments to declare and commit to a fiscal policy that can be monitored. It will include fiscal rules (including rules governing election year spending), provisions for transparency and sanctions (including sanctions on the Executive). Such a law will be passed by an NPP government.

2. To enhance transparency, a world class Right to Information law will be passed
3. To enhance accountability of government for resources at the local level a Nana Akufo-Addo government would support the election of DCEs at the local level.
4. The Public Procurement Act will be reviewed to avoid political interference in the award of contracts, consistent with international best practice..
5. An independent value for money unit as exists in Chile will be established to ensure value for money in the award of government contracts

Outside of governance reforms, an NPP alternative budget will include the following priorities:

6. Formalization of the Ghanaian economy will be pursued as a matter of economic strategy to expand the tax net. The elements of this formalization process that will be completed in within a year are:
- i. National ID cards which this government has been unable to issue in 7 years after starving the NIA of funds will be issued through the National Identification Authority.
 - ii. Financial inclusion – Goal is to have 70% of the bankable population having bank accounts
 - iii. The movement from a cash based economy to an electronic payments based economy.
 - iv. A Street address system

Practically, the national ID card should also have a debit card application that can function in rural communities so that everyone with the National ID card would also have a bank account (financial inclusion). This will also at the same time help move Ghana to an electronic payments based platform.

Formalization of the economy through these processes would enhance the collection of more revenue even with lower tax rates.

7. As expounded in our 2012 manifesto, we have very significant differences with this NDC with regards to the tax system. In response to the economic difficulties, government has resorted to increasing taxes, including until recently, imposing taxes on condoms and cutlasses. These higher taxes have served to increase the cost of doing business in Ghana compared with neighboring countries. A Minister of State in response to

complaints from the business community about import duties is reported to have said that if they are not happy, they can import through Togo or other countries! This type of approach to dealing with the business environment is counterproductive and demonstrates a lack of appreciation of the private sector. The fact is import duties in Ghana are too high and discourage production.

The NPP government will focus on providing the tax incentives for increasing production and generating employment. In the process revenue can be raised from corporate and income taxes. What we will not allow to happen is for the desire to generate revenue to kill businesses and cause unemployment. In this regard, there are tax specific tax policies that we will implement. These include:

- A reduction of the corporate tax rate from 25% to 20%
- Abolition of the VAT on Financial Services
- Abolition of the VAT on real estate sales
- Reduction of withholding taxes to the 2008 levelsⁱ to spur production
- Abolition of taxes on private tertiary institutions
- Eliminate the policy that requires networks to charge a minimum of 19 cents per minute on international calls coming into Ghana (under the Electronic Communication Amendment Act, 2009) and allow the market to determine the price.
- Abolition of the special import levy of 1-2% on imports
- Removal of duties on the importation of raw materials i.e. zero duty

- Removal of duties for the import of manufacturing equipment and spare parts
- Review of taxes on the aviation sector to make the airline industry more competitive
- Capital Gains tax will be reduced to 10%

8. An enhanced employment Tax Credit Scheme to provide incentives for companies employing fresh graduates.

- If the percentage of fresh graduates in the workforce is between 1-5% the tax credit would be 40% of salaries and wages
- If the percentage of fresh graduates in the workforce is between above 5% the tax credit would be 60% of salaries and wages

9. In the present circumstances, an NPP government would as a matter of policy and urgency, significantly cut down on borrowing. The focus of the Government would be to provide the incentives for the private sector to do what the public sector is trying to do.

10. We will restore the teacher and nursing training allowances and are still committed to our program of free senior high school education for all students at that level.

11. Infrastructure investment would focus on Water, Electricity and Toilets (WET) – It is a shame that while some countries are trying to get to Mars, we are struggling to have access to toilets for our people.
12. We will increase investment in research increase grants to researchers in our tertiary and scientific institutions.
13. We will deepen financial sector reforms with the objective to establishing Ghana as a leading financial sector in Africa.- Unfortunately, this Government has taken us backwards in the area of financial sector reform.
14. We would put in place a macroeconomic framework underpinned by fiscal discipline that would maintain exchange rate stability. Persistent exchange rate depreciation is bad for the economy. In this regard there, would be a strict enforcement of Section 40 of the Bank of Ghana Act (2002) by keeping a strict ratio between the currency in circulation and foreign exchange cover as exists in the context of a currency board regime as practiced by countries such as Hong Kong, Bulgaria and to some extent the CFA franc zone countries in Central and West Africa.
15. Government continues to be in arrears on its obligations to statutory funds such as the NHIS, DACF, GETFUND, Payments to the Disabled, etc . even though government has collected the taxes that are meant for these funds. We would implement a policy of automaticity in

the transfer of revenues collected for these funds so that arrears to these funds do not arise.

16. In the real sector, the focus will be on agriculture as well as diversification of output through value addition. Our goal is to make agriculture a money making business and in the process restore the pride and prestige of our farmers. The strategy will be built around:

- i. Access of farmers to fertilizers and seedlings
- ii. Access of farmers to Dams and irrigation facilities
- iii. Access of farmers to Credit
- iv. Access of farmers to modern technology and machinery
- v. An Afram Plains Agricultural Development Authority will be established along with the Northern Development Authority to drive agriculture in those regions and make them Ghana's bread basket. The goal is to make Ghana a net exporter of food crops in four years.
- vi. A policy of bringing an additional 500,000 tonnes of cocoa to the market in 10 years will be initiated by the planting of new trees.
- vii. Accra Plains irrigation project

17. Studies have shown that the Northern regions of Ghana have a huge potential for mineral and oil deposits. An NPP government would prioritize the exploration of untapped minerals and potential oil deposits in the northern regions of Ghana.

18. Tema Oil Refinery has an important role to play in the establishment of a petrochemical industry in Ghana and would not be allowed to collapse or reduced to a storage facility for BDCs under an NPP government.
19. We will establish a Zongo Development Fund to support development activity in the Zongo communities.
20. We will establish a Fund to support the Arts and Entertainment industry to grow local talent and create jobs.
21. Eliminate unnecessary bureaucracy. There are too many bureaucratic obstacles that Ghanaians encounter in many endeavors. Becoming a doctor or a lawyer in Ghana is more difficult than in the USA. Someone with 7 As and one B in English is refused admission to Medical school. Yet we are in a hurry to bring in Cuban doctors who can hardly speak English when we need help. Even top notch doctors in America have a hard time getting licensed to practice in Ghana. Somehow we think we are doing people a favour by allowing you to practice.
 - a. We have to make Ghana a land of opportunities rather than a land of obstacles. The system as it is, is a Pull Him Down System. We have to dismantle it. We have to crush it. The government's first job is to create an enabling environment for every hardworking Ghanaian to succeed. We will therefore undertake a review of

obstacles to progress across different sectors and take steps to remove them.

22. As a matter of policy, Ghana should move away from aid dependency. For how long are we going to be beggars? Beggars have no respect. If we manage our resources properly, we would not have to rely on foreign aid. We will depend on ourselves through sound policies, fiscal discipline, trade and investment promotion. With sound economic policies, we can do it ourselves. The current IMF program should be Ghana's last.

These are just a few elements of the policy framework that would underpin our budgets Insha Allah from 2017. More comprehensive policies will be captured in the 2016 NPP Manifesto and in subsequent interactions with the Ghanaian people and various subsets of the population in the coming weeks and months.

Ladies and Gentlemen, Fellow Ghanaians,

- **IT IS TIME FOR CHANGE AND YOU MUST OWN THE CHANGE**
- **CHANGE IS COMING**
- **HOPE IS COMING**
- **NPP IS COMING**
- **NANA ADDO DANKWA AKUFO ADDO IS COMING**
- **A NEW GHANAIAN ECONOMY IS COMING**

- **TOGETHER WE CAN BUILD THE GHANA WE WILL ALL BE PROUD OF.**

GOD BLESS YOU

GOD BLESS OUR HOMELAND GHANA.

ⁱ Dividends (8%), Management and Technical services (15%), Rent (8%),