Look beyond budget for growth
-CEPA tells Gov't

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The Centre for Policy Analysis (CEPA) has described as unfortunate, the fact that Ghana's Budget Statement and Economic Policy for 2010 does not provide sufficient evidence of pursuing growth, with development expenditures expected to decline.

The institution suggests that despite the limitations of the stabilisation programme government has adopted, it should seek growth enhancing measures outside the 2010 budget.

Discussing its latest policy briefing on Preliminary Assessment of the Budget Statement and Economic Policy of the Government of Ghana with the ***Financial Intelligence,*** Dr Joe Abbey, Executive Director of CEPA, opined that macroeconomic stability with growth may not be sustainable as social forces demand growth-related jobs… and that without growth the government may not be able to maintain its economic programme as revenues decline.

"We are aware that the government is operating within an agreed programme that may limit the spending envelop. Even under these circumstances, growth may still be fostered through a number of mechanisms," Dr Abbey observes.

According to CEPA, with reduced spending, higher output growth could still be induced through the quality and efficiency of spending.

"This may require prioritization of spending to relate it to output sensitivity and its impact in creating a crowding-in effect for the private sector," the release mentions.

The efficiency of public spending, according to CEPA, will also be enhanced by re-introducing public expenditure tracking surveys and improving evaluation of investments and projects and identifying programmes that do not work, and for which less should be spent or stopped altogether, a process of prioritizing, phasing, mothballing, and completing critical projects and strategic activities to ensure growth and poverty reduction.

To rationalize public spending to support economic growth, CEPA advocates a comprehensive analysis of the size and composition of spending across all levels of government, including statutory funds and the so-called donor-funded capital expenditures.

"The exercise will allow for a re-prioritization of spending across all levels of government, provide renewed efforts in public financial management reforms, and support the introduction of the strategic budgeting process based on a medium-term expenditure framework:," CEPA pointed out.

CEPA further details that considerable mileage may be obtained under the current restrictive programme through the facilitative role of Government in supporting private sector investments.

In this respect,CEPA observes that a number of private sector initiatives are already taking place, particularly in the agricultural sector.

These include, among other projects, the €17.3 million to support lowland rice production, the expected Millennium Development Authority (MiDA) spending of $241 million on agriculture, the Buipe Sheanut Processing factory, SAP and PlaNet finance to invest in the sheanut industry; and the expected Brazilian firms investment in rice production.

Other private sector initiatives included the real estate initiative with a $10 million investment funding by a Ghanaian-South Korean consortium to roll out 200,000 housing units over the next five year period has been identified as one with immense growth-promoting potentials and employment opportunities for the economy.

It called on government to exploit other avenues of Public Private Partnerships (PPPs) to enhance growth and open more job avenues.

CEPA further mentioned as laudable, attempts by government to draw resources from the larger, more industrialized emerging markets of Brazil, China, India, South Korea and South Africa in the areas of agriculture, construction and, in particular, energy as one critical means to pursue growth.

The Centre however cautioned that “in doing so, it is vital that the new partners will be committed to the viability of the projects they help Ghana to undertake to avoid the Dutch Disease or the HIPC syndrome, particularly as Ghana prepares to enter the oil era.”

“True partnerships that involve technological and skills transfer, employment generation, risk-sharing (in the form public-private partnerships (PPPs)),” the report stressed, and added “the new partnerships must have some built-in element of which will be consistent with the borrowing requirements of the current Poverty Reduction and Growth Facility (PRGF) Arrangement with the IMF.”

In an earlier assessment and critique of the 2009 Budget Statement and Economic Policy, the Centre had contended that, the economic programme for 2009 with its social democratic principles (and with the explicit provision of GH¢42 million in support) presented and approved by Parliament was consistent with a strategy of Growth with Macroeconomic Stability in which the growth objective was accorded more prominence.

Subsequent to the approval of the Budget by Parliament, the World Bank succeeded in mobilising the IMF, the Development Partners (DPs), and the new Mills Administration to move from the strategy of Growth with Macroeconomic Stability” that informed the 2009 Budget into following a strategy of a comprehensive programme of macroeconomic stabilisation and reform .

The PRGF Arrangement with the BWIs brought in additional aid resources from the development partners to meet the equivalent of an additional 1.9 percent of GDP of the domestic financing needs of Government and bestowed on the country a seal of approval, an important signalling device especially to the international community that gave high credibility to the macroeconomic framework.

But this was in exchange for additional conditionalities imposed in respect of four key policy targets, adjustors for fiscal targets, a floor and ceiling in respect of two monetary targets, a performance criteria for debt management and arrears accumulation; and an inflation consultation mechanism. CEPA indicates that for all intents and purposes, the programme is on track but cautions against government's inability to fulfill certain social obligations.