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### **Cepa faults World Bank, IMF for economic woes**

The Centre for Policy Analysis (CEPA) has condemned the World Bank and the IMF for looking on unconcerned while the Kufuor administration embarked on a spending spree in the run up to last year's elections. It also castigated them for not being truthful about the economic situation prevailing in the country at that time.

Presenting CEPA's Assessment and Critique of the 2009 Budget Statement and Economic Policy in Accra last Thursday, the Executive Director of CEPA, Dr. Joseph Abbey, said that if the country had been prudent with the economic boom from 2006, there would have been a cushion to absorb the shocks of the global economic turmoil.

He said "due to the lack of transparency and accountability on the part of government, the truth did not come out". Besides, he said, there was excessive use of money by politicians. "Donors managed to cocoon the government from taking note. The World Bank cannot absolve itself from blame and leave Ghana to fend for itself," he added.

Dr Abbey said the current economic challenges would render unachievable the government's end-year inflation target of 14.5 per cent and predicted that the end-year inflation could stand at 20.9 per cent. He therefore called for more resources from the international donor community and a greater growth-enhancement and efficiency in public expenditures. Dr. Abbey said the review of performance record over the last four years and analysis of the monetary policy-making framework led to the conclusion that "the year-on-year inflation target of 12.5 per cent target for December 2009 was over optimistic and that, like its predecessors, would be missed by a considerable margin".

That view, he indicated, was affirmed in IMF's stabilization programme which revised upward the end-December 2009 target to 14.6 per cent- an increase of 2.1 per cent.

"In CEPA's view, the targets set in the stabilization program are ambitious and would prove difficult to achieve", he stressed.

Dr Abbey said the inability to achieve the inflation target would have socio-political cost in terms of output and job losses and the additional poverty burden that would be placed on those least able to bear it, namely the already-poor. He said available evidence pointed to a slowdown in

the tempo of economic activity and the continued increase in poverty indicators. According to a World Bank document, "The impact of the current macro-economic difficulties in Ghana comes at a time when many of the poor have not yet recovered from the impact of a series of shocks starting with floods and drought in northern Ghana in 2007, and the food and fuel crisis during 2008".

Dr Abbey said given the tight planned budget deficit target of 9.4 per cent of Gross Domestic Product (GDP), total expenditure was projected to decline from 42 per cent in 2008 to 36.6 per cent this year. He identified Public Sector Wage Bill, energy subsidies, interest payments and the public debt, public capital and poverty-related expenditures as some of the critical expenditure items marked for the implementation of the Budget. He said the World Bank and the IMF have introduced a consultation mechanism on inflation, which involves quarterly reviews for 2009 followed by semi-annual reviews starting in 2010. Dr Abbey said whenever the realized year-on-year inflation rate fell outside the specified band, the government would have to complete consultations with the Executive Board of the IMF on the proposed policy response before requesting further disbursement under the stabilization programme.

He said CEPA's forecast for September 2009 was 20.5 per cent while the central target was 16.5 per cent with an inner band upper limit of 18.5 per cent and an outer band upper limit of 19.5 per cent.

"Thus, should the CEPA forecast for September prove as accurate as those in the earlier months, the Government of Ghana would be obliged to immediately enter into and complete consultation with the Executive Board of the IMF on an appropriate policy response- most likely an interest rate hike- failing which there would be no further disbursement under the destabilization programme", he indicated. That, he said, would compel the government to fall on the Bank of Ghana for funds, resulting in a competition between the government and the private sector which would consequently raise the interest rate and the cost of doing business. Dr Abbey therefore called for the inclusion of civil society organizations in the negotiations between the government and the IMF on the stabilization programme.