

NECO 003

Economics CEPA Assessment

World Bank cannot absolve itself from blame – Dr Abbey

GNA

Accra, Sept. 4, GNA – Dr Joe Abbey, Executive Director, Centre for Policy Analysis (CEPA), has said the World Bank could not absolve itself from blame with regard to the country's deterioration of fiscal discipline from 2006 to 2008. He said the excuse that lack of transparency and accountability by the immediate past administration had provided an enabling environment for the deterioration of fiscal management and increase in the budget deficit was not noticed until late 2008 could not be accepted because the persistent deterioration of Ghana's fiscal discipline was noticed in 2006.

Dr Abbey made the observation when presenting a paper on "The Dilemma of Macroeconomic Policymaking: A Tale of Two Cities" at the launch of CEPA Assessment and Critique of the 2009 Budget Statement and Economic Policy of the Government of Ghana.

The World Bank Economic Governance and Poverty Reduction Credit (EGPRC) stated in part that "Lack of transparency and accountability has provided an enabling environment for the deterioration of fiscal management.

"The overshooting of the budget deficit went largely unnoticed till late in 2008. Indeed, poor access to information in a timely manner prevented large deviations from planned expenditures being brought to the public eye, and even to the notice of political parties, International Financial Institutions (IFIs), and Development Partners."

Dr Abbey said the World Bank and other Bretton Woods Institutions which served as co-chairmen and give monthly reports on Ghana's economic performance should have noticed that problem long and drew government's attention to it and "not to create the impression that Ghana's economy was improving and that we are on the right path only to turn round after the elections to say that our economy was in a mess and needs a programme of stabilization."

He said although the economic outcomes of the 2000 and 2008 election years had several similarities there were important differences as well in terms of causes and severity.

"The crisis in 2000 was triggered by severe adverse price developments in the tradable sectors in 1999. The rate of inflation reached 40 per cent by year-end and in the foreign exchange market the cedi went into a free fall, losing half its value against the dollar.

"In contrast, the realized terms of trade were generally favourable to Ghana over the period preceding 2008.. As the global financial crisis unfolded in the second half of the year, however, prices of the key export commodities, cocoa and gold, picked up and remained high in international commodity markets even as on the side of imports, the price of oil fell over the period.

"Thus, macroeconomic instability in election 2008 was primarily due to election year spending excesses. The key difference was that the spending excesses of 2008 exacerbated a persistent trend deterioration of fiscal discipline noticeable from 2006 – what CEPA had described as a phenomenon of 'stubbornly high and widening fiscal deficits,' he added.

On foreign-financed expenditure, Dr Abbey said it was obvious there would be sharp increase in donor-dependence and the dominance of donor preferences in public capital expenditure in 2009 and beyond.

However, he expressed concern about whether the conditionalities that normally accompanied those resources by development partners would allow the government to use them according to its own priorities as envisaged by the International Monetary Fund (IMF).

Dr Abbey said the conditionalities should be flexible to ensure the resources are made available for prioritized projects, insisting on value for money and improve the quality and efficiency in public capital expenditures to enhance economic growth.

Touching on pro-poor expenditure, the Executive Director said the impact of the current macroeconomic difficulties and global recession in Ghana came at a time when most of the poor had not yet recovered from the impact of the series of shocks, that included floods and drought in the North during 2007 and food and fuel crisis during 2008.

“It has been observed that the recent past has seen a quick, but somewhat uncoordinated expansion of social protection initiatives. The system now entails a few small-scale efforts to be evaluated before scaling-up“, he said.

Dr Abbey appealed to government and development partners to make regular discussions on key policy issues, monitoring and evaluation of performance opened to relevant Civil Society Organizations to enhance their watchdog role in the interest of the people and the country.

GNA
PAF/DK
04 Sept. 09