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\$3bn Chinese Loan Crucial For Dev - CEPA

The Centre for Policy Analysis (CEPA), an economic think-tank, has stated that the decision by the International Monetary Fund (IMF) to extend the non-concessional borrowing limit of the government from US\$800 million to US\$3.4 billion is a show of confidence in the management of the Ghanaian economy.

It has, therefore, asked the government to strictly ensure that money borrowed at non-concessional rates for projects was used prudently to accelerate the rate of development in the country.

It said the intended use of the funds to be borrowed from the Chinese Development Bank (CDB) was necessary, in view of the massive infrastructural projects envisaged for implementation.

The Executive Secretary of CEPA, Dr Joseph Abbey, was reacting to the unanimous endorsement by the Executive Board of the IMF of a new borrowing limit for Ghana in Accra Thursday.

He told the Daily Graphic in an interview that pledges made in the 2012 Budget needed to be followed with commitment in the best interest of the country.

“It is important to put our gas reserves to good use because natural gas is a major substitute for oil which is bought at a high cost to run the thermal plants that generate electricity for the country,” he said.

He noted that natural gas would complement LPG supplies which sometimes fell short of demand, a situation which had become a bane for the country in recent times, adding that natural gas would help reduce the reliance on firewood, whose production had a negative impact on the country’s forest reserves.

On Wednesday, December 14, 2011, the Executive Board of the IMF unanimously endorsed a limit of US\$3.4 billion on non-concessional borrowing for Ghana. That decision was part of the board's completion of the fifth review of Ghana's economic and financial programme under the Extended Credit Facility (ECF) arrangement.

The implication of that decision is that Ghana can source for non-concessional loans up to a limit of US\$3.4 billion, which is unprecedented in the history of the fund's programmes with Ghana and with several other countries.

During an IMF staff mission to Ghana in October 2011, the government requested its Executive Board to modify the initial conditionality of limiting non-concessional borrowing by Ghana from the current limit of US\$800 million to US\$3.4 billion.

Dr Abbey said the government, after going into a new agreement with the IMF in 2009, sought to ensure that the economy was better managed to place it in a better stead to make it more attractive to the rest of the world.

To him, the approval was to be expected, in view of the country's position as a lower middle-income country and the major projects that the government intended to undertake.

"The IMF knows that under the present circumstance of the government, it will not be the best to keep a lower cap on the country when it has demonstrated an ability to pay back non-concessional loans," he said.

Dr Abbey maintained that it was in the interest of the country to borrow at non-concessional rates to be able to undertake major projects.

"The issue still remains that while we borrow, we only need to ensure that the funds are used for their intended purposes to benefit taxpayers whose money will be used to defray the cost," he said.

He said the performance of the economy in 2011 had been good because, among other things, the huge arrears were reduced, the country's import cover was increased drastically, while interest rates, among other macroeconomic indicators, including inflation, had remained on a downward trend.

Dr Abbey said staying with such agencies as the IMF was necessary and noted that any attempt to wean the country off the fund's conditionalities would be detrimental to the state.

Source: Daily Graphic