

Mills inherited huge budget deficit - CEPA

Last Updated: Wednesday, 11 November 2009, 19:18 GMT

President John Evans Atta Mills assumed office in January 2009 in an environment of macroeconomic instability, which was manifested in a huge budget deficit estimated at 14.5 per cent of Gross Domestic Product (GDP).

There were also commitments and payment arrears of nearly 1.0 per cent of GDP at the end of 2008, Dr J.L.S. Abbey, Executive Director of Centre for Policy Analysis (CEPA), said on Wednesday when he launched "Ghana Economic Review and Outlook 2009".

He said: "Although the macroeconomic difficulties of 2008 were primarily due to election-year spending excesses, they, nonetheless, exacerbated an underlining persistent deterioration of fiscal discipline which CEPA had noticed and drawn attention to since 2006 - a phenomenon which the Centre has described in various presentations as "stubbornly high and widening fiscal deficits".

Dr Abbey said: "Against this background many high spending-related promises were made by all political parties during the 2008 electioneering campaigns at a time when reality and objectivity rather called for policy packages geared more towards economic stabilization."

He said the new Government also had to grapple with the adverse developments on the international scene - the global financial turmoil and consequent world economic melt-down - adding that the Government found itself in the rather unenviable position of being in a home-grown financial crisis in the midst of a global financial crisis and recession.

Dr Abbey said the situation "called for a reduction in Government spending whilst, on the other hand, the inhospitable global situation required the provision of massive governmental support in the form of hefty package of fiscal stimulus to reignite the ailing economy.

He said: "Not surprisingly, the Government made the attainment of macroeconomic stability an important goal in its maiden Budget presented to Parliament on March 5

2009 with an objective to reducing the broad budget deficit to 9.4 per cent of GDP at end December 2009 from the end -December 2008 outcome of 14.5 per cent GDP.

Dr Abbey said CEPA in its "Assessment and Critique of the 2009 Budget Statement" had contended that NDC Government's social democratic principles was in tandem with its economic programme and consistent with the strategy of "Growth with Macroeconomic Stability" in which the growth objective is accorded more prominence.

He said in view of the dire economic straits the country found itself the World Bank Office in Accra alerted the incoming Government of the severity of the domestic financial crisis and rushed it to "request additional and extraordinary assistance from both the World Bank and the International Monetary Fund (IMF)."

Source: GNA