

Monday December 5, 2011

Don't Sacrifice Economic Gains On Altar of Politics – Dr. Abbey Cautions

A renowned economist has cautioned government to resist the temptation to overspend as Ghana prepares for 2012 general election, in order not to erode the economic successes gained over the last three years.

Dr. Joseph Abbey, Executive Director, Centre for Policy Analysis (CEPA), noted that successive governments have not been able to manage the situation well such that the practice of over spending, spending without authority from Parliament and substituting national interest with partisanship have often sent the country back. These, he said, has raised concerns at home and abroad about the likelihood of excessive overspending.

He stated, "Successive governments have been able to spend with impunity and without the authority and approval of Parliament which the Constitution does not permit and also the partisan party political interests of capturing and keeping political power have been substituted for the national interest. Thus governments have claimed that their winning power to govern from the electorate gives them the mandate to implement the vision of their manifestoes." He described such a situation as worrying, adding, "Ghanaian economy should not be used by politicians to attain their selfish gains."

He cautioned politicians to be watchful and not put Ghana's economy in jeopardy otherwise they would be replaced with technocrats to manage the economy.

"But if they were able to put things right, they would be helped to grow the economy. We should have eagle eyes on every penny spent, this is what the budget sets out to do but if we can have the assurances they should be given the chance to prove it," he said.

Dr. Abbey was speaking at the recent launch of CEPA's publication, "Ghana Economic Review and Outlook, 2012 and a Companion

Volume: The State of the Ghanaian Economy (Marking the first full year in the oil era)."

He insisted that our development partners should be made aware that governments could not continue to spend what parliament had not approved, therefore any government that overspends should be made to account for the moneys spent and they should also be made to obey the laws governing government expenditure.

He recounted that over the years macroeconomic outcomes in the aftermath of elections in Ghana had led to the sign up to a stabilization programme with the International Monetary Fund (IMF).

The CEPA Boss advised politicians to endeavour to separate their party manifestoes from the national interest and should tell Ghanaians how they intended to raise funds to execute projects they promised during campaigns as well as promote the national interest.

"As a nation what we set ourselves to achieve should be clear and the agenda should be straight forward. Achieving economic growth, creating employment, reducing inflation, ensuring macroeconomic stability, poverty reduction, among others, should be our goal."

He also bemoaned the lack of commitment by successive governments to fiscal discipline. "They claim they are clearing debts but they end up creating more arrears than what they have cleared." Fiscal discipline, he noted, was needed to build on what has been achieved so far.

He noted that, they also failed to make transfers to the District Assembly Common Fund (DACF), GetFund, NHIF and SSNIT thereby accruing more arrears.

On the performance of the economy in 2010, he said, it was particularly bad because of the rapid accumulation of new arrears in excess of arrears cleared resulting in a rise in the net stock by a sizeable amount.

He noted that, continuous suffering from weak fiscal management highlighted by widening of the fiscal deficit in 2010 and increased

suppliers' arrears, among others, accounted for the poor performance. However, it benefited from strong GDP growth, strengthening the oil production and political stability.

Dr. Abbey indicated that expectations this years have been high on the part of Ghanaians as the oil revenue would more than make up for the projected reduction in aid flows from traditional development partners, as Ghana became classified as Lower Middle Income Country (LMIC).

The rebasing of the economy, he noted, had pushed Ghana into a new status with new challenges. He pointed out that, Ghana would now have to borrow from the world market at a higher rate without concession. This, he said, called for prudent management of the loans that we contracted. "We should use the loans for what we set out to do with it, not to incur more cost," he advised.

He further advised that, the government needed to strengthen the private sector for job creation. "It is the private sector that can create jobs to absorb the unemployed". The government needed to ensure that the Small and Medium Enterprises (SMEs) get access to credit and at a lower interest rate to enable them to grow and expand thereby driving the economic development of the nation.

Dr. Abbey added that resources should be moved from the oil sector to support areas where there was growth for creation of jobs.

Notwithstanding the achievements, he insisted that the non-oil sector should be developed to produce for the government to close up the deficit to finance the single spine. He suggested that, the government should ensure that all sectors migrate to the single spine pay policy before next year to preclude a situation where it degenerated into a political issue. He therefore urged Ghanaians to kick against any politician who would make a political issue out of that.

He also urged the government to make infrastructure provision its priority, pointing out that growth was accelerated where there were good roads, schools, hospitals and other social amenities.

"Lessons from the Euro Zone must be made known to the elite to know that we cannot rely on the donors forever and that we need to discipline ourselves to ensure that we achieve what we set out to achieve."

He also recommended that the government built foreign reserves to cater for food shortages arising out of changes in weather pattern as well as putting in place measures to absorb possible excess liquidity.

The Chairman of the occasion, Dr. Fritz Augustine Gockel, Economics Department, University of Ghana, noted that, development was a challenge which all Ghanaians must take upon themselves to develop the nation. "We need to discipline ourselves in terms of expenditure."

He contended that money borrowed for infrastructural purposes should be used as such for the benefit of all and not be diverted for something else.

"Our partners expect us to discipline ourselves in terms of what we use our money for because we cannot continue to depend on them with the current economic problems in the Euro Zone."

Source: The Public Agenda