

REMARKS ON STATE OF GHANAIAN ECONOMY DELIVERED AT INAUGRAL  
LAUNCH OF THINK PROGRESS GHANA BY H.E JOHN DRAMANI MAHAMA,  
FORMER PRESIDENT OF THE REPUBLIC OF GHANA ON THURSDAY.  
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Good afternoon my fellow countrymen and women.

It is a real pleasure to be part of this occasion of the inaugural launch of Think Progress Ghana. Our public policy discourse will benefit immensely from their entry into the field, and I believe they will prove to be credible arbiters in that space.

It is quite appropriate that this inaugural event has focused on the Ghanaian economy which is by far the most topical subject at the very top of the list of issues affecting the country.

Let me commend Seth for his incisive delivery which has highlighted some of the key issues at stake and which sets the tone for some of the issues I will be touching on in these brief remarks.

Early last month, I spoke at an event dubbed “Ghana at the crossroads” and I drew attention to the serious mismanagement that has plunged our country into the most debilitating economic crisis in the last forty years or so.

I called on President Akufo-Addo and his Head of the Economic Management Team to end the non-chalance and indecision and take urgent steps to address the self-inflicted economic disaster that has brought unbearable economic hardships, pain, and great suffering to the people of Ghana.

I made it clear that the economic problems we are facing stem from imprudent election related expenditure and reckless decision-making in the management of the economy.

I highlighted the unsustainable public debt, large fiscal deficit, rising inflation, a rapidly depreciating currency, spiraling cost of doing business, ever rising cost of living, high levels of corruption, and a general loss of investor confidence, as the pressing issues affecting the economy which required immediate action and resolution.

I then proceeded to give some policy options that could be adopted by the government to bring the economy back on track and reverse the precipitous decline.

The Akufo-Addo/Bawumia government has so far failed to demonstrate that it has a plan to resolve the economic crisis and has not heeded suggestions made in that regard.

This policy intransigence has proven very costly and has spawned a significant deterioration in the already terrible economic situation of Ghanaians in the intervening weeks since my address.

At the macro level, almost all the key indices like inflation, public debt levels, debt to GDP ratio, exchange rate, fiscal deficit, primary balance, gross financing needs, gross and net international reserves among others, have all worsened, sending the economy into a dizzying tailspin.

Available data from the first quarter economic outturns published by government shows, that the fiscal deficit target for the first quarter of 2022 has been missed with a deficit of 2.6 % recorded instead of the programmed 2.2%.

The trend suggests that similar numbers are expected for subsequent quarters which will, in our estimation, lead to an end year fiscal deficit of over 10%.

The exchange rate has seen further depreciation with the dollar now exchanging at over GHS 8 cedis on the forex market and this is attributable to capital flight associated with the withdrawal of non-resident investors from our economy due to loss of confidence.

The share of holdings in domestic bonds by non-resident investors has plummeted from 35% to 15% by the first quarter of this year.

Inflation has accelerated to 27.6% in May from 19.4% in March and is expected to inch up in the coming months.

The public debt has exceeded GHS 400 billion, if debts on the books of some SPVs and statutory funds which this government seeks to exclude, are factored in.

This translates into a debt to GDP ratio of over of 80%, well beyond the red line of 70% at which Lower Middle-Income Countries are declared as debt distressed.

Multiple international financial institutions continue to rank Ghana among countries that are likely to end up like Sri Lanka and default on their debt repayment.

We still have the worst credit ratings in the over twenty-year rating history of this country while we remain firmly shut out of the international capital market.

On the micro front, the parlous state of the economy is sending shockwaves through households with ever-increasing prices of goods and services which have made the cost of living simply too high.

Food prices have shot up astronomically and our people cannot afford three-square meals a day.

Fuel prices remain at their highest levels ever amid nearly weekly increases in the price of the commodity. In turn, transport operators continue to slap increments on transport costs, and this continues to affect the price of items on daily basis.

Government itself is struggling to meet its financial commitments in all sectors of the economy.

At the center of this problem is the debt burden.

This debt position and the debt servicing obligations arising from same, are literally draining the very lifeblood out of our economy and have formed a powerful vortex into which virtually all our revenue is being sucked.

In the last few years, our debt service obligations have swallowed an inordinately large proportion of our revenue leaving very little funds for all the other expenditure commitments that government has.

An examination of government's own economic data for the first quarter of this year reveals a very troubling exacerbation of these fiscal rigidities.

Instead of taking the bull by the horn and addressing the root causes of the economic meltdown, this government opted to place their hopes in misguided revenue projections and regressive tax measures such as the e-levy.

The e-levy was presented as the panacea to the economic problems of Ghana.

We were in fact told, that it would enable government reduce borrowing.

True to our predictions and cautions to government about the overly ambitious revenue and fiscal policy targets, available first quarter data show that those targets will not be met, and this will no doubt create even bigger credibility crisis for our battered economy.

For the entire month of May, the much-vaunted e-levy, which was rammed down the throats of Ghanaians, yielded a paltry GHS 54 million against a target of GHS 475 million for that month representing only 11.3%.

The month of June has not offered any sign of improvement as only about GHS 7.1 million had been collected by the first week of the month.

These figures demonstrate that so far, the e-levy has been a spectacular failure and has become the mother of all nuisance taxes and I wish to reiterate my earlier promise that we will abolish it in the very first budget statement to be presented under the next NDC administration.

Whereas total tax revenue of GHS 14.6 billion was projected to be collected for the first quarter of this year in the 2022 budget, GHS 12.8 billion was collected.

This amount was not enough to meet the debt service payment for the same period which stood at GHS 13.9 billion.

In other words, all the taxes collected by government in the first quarter of this year, was less than the total amount paid in interest on our debt which was GHS 10.68 billion and amortization of GHS 3.3 billion.

Expressed in percentage terms, total debt service for the first quarter of this year was equal to 108% of all the taxes collected by government in the same period.

It is the reason why government is unable to provide textbooks and other teaching and learning materials for our schools and has raked up huge arrears to statutory funds like the NHIS, District Assemblies Common Fund, GETFund among others.

Out of the GHS 1.3 billion that government budgeted to pay domestic contractors in the first quarter of this year, only GHS 38 million was paid whilst absolutely nothing was paid out of the GHS 285 million that was budgeted for arrears clearance in the first quarter of 2022.

Yet more arrears have been accumulated since the beginning of this year.

Ghanaian businesses have borne the brunt of this and are suffocating under the yoke of huge debts owed them by government.

Fertilizer suppliers for instance, have been owed GHS 485 million since 2020 and this has hampered their ability to continue to supply fertilizer to farmers which is vital for agriculture and food production.

The list of other creditors whose local businesses have been severely crippled as a result is endless.

It is now beyond debate that we currently find ourselves in a hopeless situation which we will remain in, unless very drastic and far-reaching steps are taken to get us out of the mess.

This is devastating news for any economy, let alone one plagued with the deep problems we have.

It is apparent that even as the ship of state is buffeted by the choppy waters of economic disaster, President Akufo-Addo, his Head of the Economic Management Team and his finance minister, prefer to leave it rudderless.

They have dug their heels in, remained obstinate and have become totally impervious to sound proposals to rescue the economy and mitigate the severe economic hardships that Ghanaian households are grappling with. They have simply refused to do what is necessary to arrest the decline.

The suffering and pain being experienced by Ghanaians do not seem enough to jolt the Akufo-Addo/Bawumia government into action. They remain tone deaf and dead set in the very misguided ways that have brought us to our knees as a country.

Somehow, they have convinced themselves that by refusing to do the heavy lifting required, they can wait out the economic storm and that stability and normalcy will return as a matter of course.

The most that the people of Ghana have been given, are insipid rhetoric, denials, and a litany of unconvincing excuses about how we came to this painful juncture as a nation.

Talk and promises of expenditure cuts and prudence in the management of public funds, remain a fantasy with no practical demonstration of any commitment to same.

In the midst of the national anguish and despair, this government finds it necessary to dabble in mind-boggling waste of very scarce public funds on frivolous and extravagant expenditures that hold no immediate tangible or beneficial outcomes for our nation.

On a daily basis, more evidence emerges of the systematic assault on the public purse and endemic corruption.

The President continues to place his personal creature comforts above the need for modesty and prudence, especially at this time, by pressing ahead with the rental of ultra-expensive aircrafts for foreign trips that our Presidential aircraft can ferry him to or for which more cost-effective options exist.

Worst still, this government and its officials continue to treat the people of Ghana with utter contempt and impunity by refusing to account for the utilization of public funds even when such demands are made in Parliament.

A case in point is the resistance mounted by this government against accounting for the use of COVID-19 funds despite several calls for same, including through Parliamentary questions, until a threat by the Speaker to block the business of the Finance Ministry in the house.

Contrary to expectations that they will at least end the practices that have put us in this mess, they seem determined and are relentless in their bid to worsen our plight.

In my address last month, I called for the immediate placement of a moratorium on new non-concessionary borrowing as a way of halting the rapid rise of the public debt beyond unsustainable levels.

I suggested that this government immediately enters negotiations with multi-lateral partners with the view to engaging our commercial creditors to restructure our debt and ease the debt service burden to offer us desperately needed respite even as corrective measures are applied to our seriously ailing economy.

This government has shown no inclination towards doing this despite not having any clear plan to deal with the problem. The lack of a credible plan has led to the resort to even more borrowing as the public debt gets out of hand and wreaks havoc on our finances.

The very limited options that we have, in view of the messy state our economy means that any further borrowing would be very expensive and detrimental to our interests.

It was little wonder that last week, the finance minister took a very inimical \$ 1 billion-dollar syndicated loan to Parliament for consideration and approval.

The loan made up of a \$ 250 million component from a consortium of Banks comprising Standard Chartered Bank, Rand Merchant Bank and Standard Bank of South Africa and a \$ 750 million component from the AFRIEXIM Bank, will have grave implications for our economy if approved.

The terms of this loan are extremely unfavorable and cannot be in the interest of the Ghanaian people for the following reasons

- To begin with, it will add a colossal GHS 8 billion to our public debt in one fell swoop.
- The cost of insurance alone for the \$ 250 million component is \$ 40.625 million
- Total interest payable and other costs on this \$ 250 million, five-year tenor loan, amounts to \$ 86.85 million.
- The total cost therefore for borrowing the \$ 250 million component amounts to \$127.50 million.

- For the \$750 million component, interest payment and other costs excluding insurance premium and or collateral, come up to \$383 million over its seven-year tenor.
- Put together, the \$1 billion loan agreement will cost the taxpayer \$ 351 million in interest and other charges.
- The repayment schedules of both components mean that this government will be saddling the new government that replaces it with an additional \$1.438 billion to pay within five to seven years starting from the first quarter of 2025.
- Added to the total of \$ 2.775 billion in 2025 and 2026 Eurobonds, the next government will have to cough up over \$3 billion or, at the current exchange rate, GHS 24 billion, within 15 months of taking office just to retire and service four loan items.
- The \$3 billion needed for this will virtually wipe out our net international reserves which will seriously undermine the economy.
- In the four years between 2025 and 2029, \$ 3.7 billion or approximately GHS 30 billion will be required to retire maturing Eurobonds alone.
- This will be in addition to the tens of billions of cedis in debt service payment for other loans that will have to be paid from 2025.

Unlike the situation in 2017 where this government inherited the Sinking Fund set up under the NDC with over \$ 500 million to help retire maturing Eurobonds, this government has put no such mechanism in place and will leave the new administration bare.

Even worse is the fact that this government has collateralized almost all revenue streams and is seeking to collateralize more including gold royalties under the dubious Agyapa deal.

In view of the above, we in the NDC cannot lend support to the \$1 billion syndicated loan agreement and our MPs are poised to oppose and vote against it in Parliament.

One of the rationales given for seeking this loan is the need for foreign exchange to shore up our reserves which have dwindled considerably in the last few months.

This government knows that the wisest thing to do in these circumstances to improve our reserve position is to seek balance of payment support from multilateral agencies which come at concessionary rates and at very minimal costs that are certainly nowhere near the astronomical and prohibitive costs associated with this syndicated \$ 1 billion loan.

We wish to serve notice going forward, that the NDC in Parliament will not support any further non-concessionary borrowing or loans that are not project specific with clear and unambiguous terms that benefit our country.

We will not partake in the destruction of the Ghanaian economy which this government appears bent on doing.

Perhaps, the knowledge by President Akufo-Addo, his Head of the Economic Management Team and Finance Minister, that they will not be in government in the near future to carry this debt burden, has emboldened them to act so irresponsibly by borrowing this much under such exorbitant terms and conditions.

It is also entirely possible that this unbridled borrowing binge, is partly motivated by the fact that the personal fortunes of the finance minister and other regime actors have been significantly enhanced with the tens of millions of Ghana cedis that have accrued to their private firms in transaction advisory fees for bond issuance.

Whatever the case may be, this appetite for borrowing has proven catastrophic for our economy and has done real damage.

It is well known to every economic and financial watcher, that the real problem with our economy is not that we do not have enough money to spend on priority needs requiring more borrowing, it is that we have borrowed too much, and a chunk of our revenue is going into debt servicing, leaving very little for anything else.

If this revenue were free and available to us, we would be in a much better position to meet many of our needs and the rigidities and their attendant consequences on all sectors will be eased.

It is evident therefore that the solution to the problem lies with taking the bold step to restructure our debt to get some relief from pumping far too much revenue into debt servicing on an annual basis and channeling the savings into priority arrears that will benefit our people directly.

The Akufo-Addo/Bawumia government knows this too well, but political posturing, empty grandstanding, and a morbid fear of their own pedestrian politicking around less serious problems of the recent past, have immobilized and frozen them into inaction - inaction which continues to run our economy aground and worsening the living conditions of our people by the day.

There appears to be an uncanny desire to kick the can down the road, in the hope that it will end up at the feet of a new administration that will take over from them in 2025.

The current path of reckless borrowing and piling on of debt has been discredited and cannot lead us anywhere except economic ruin and bankruptcy.

This government must act now and seek help to avert imminent national catastrophe.

Ghanaians did not hand over the reins of power to them to crash the ship of state through empty pride. President Akufo-Addo has a responsibility to keep the ship afloat, the same way he met it.

In the last few days, there has been talk from some regime actors about a potential or impending IMF program. Due to the nature and depth of our economic problems, this government virtually has no other sustainable option.

IMF programs come with fiscal consolidation and insistence on fiscal discipline which can lead to some recovery and improvements on the macro-economic front.

This government has however so mismanaged our economy and left it in such a terrible state that fiscal consolidation alone will not do the trick.

We require comprehensive debt restructuring to obtain the sort of relief that will give us the fiscal space needed to ease our plight.

Any IMF program should be preceded or done together with discussions with our creditors to restructure our debt.

Sometime last week, the President in a speech in Brussels, lamented the non-renewal of the Debt Service Suspension Initiative (DSSI) and how it has impacted some countries.

Then DSSI was set up by G20 countries under the supervision of the World Bank and IMF and was designed to suspend the debt service obligations of countries with huge debt burdens.

This was to afford them some fiscal space so they can channel the resources that would otherwise have been used for debt servicing, into more critical areas of expenditure.

The DSSI as set up at the time was not advantageous to Ghana because of the nature of our debt, Ghana cannot afford to wait for a new Common Framework for Debt Treatment beyond DSSI before acting on our precarious debt situation.

We should also note that, even if those two initiatives were renewed, they would not be enough to address our problems given how far our economy has deteriorated in the last two years and the current structure of our debt which is heavily tilted towards commercial loans.

Debt restructuring has therefore become unavoidable if we are to ever overcome the present economic problems.

The President must make the big and very important call and begin the process to restructure our debt before we become like Sri Lanka which has sunk into unimaginable economic and social crises.

Even more importantly the unbridled and unsustainable borrowing must stop.

We can no longer afford to dither and fiddle while our economy heads for the precipice. The consequence of that will be too grave to comprehend.

Meanwhile it will serve the President well to use some instruments from the Presidential tool kit in times of crisis such as this. Fire your Finance Minister,

conduct a major shake-up of Government to remove the many dead woods that have turned ministries into their fiefdoms and finally huddle with the best brains this country has to formulate a comprehensive recovery plan for our economy.

The time to act is now.

I thank you for your attention.