

**THE STATE OF THE ECONOMY:
A FOUNDATION OF CONCRETE OR STRAW?**

Speech Delivered by:

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2016 NPP Vice-Presidential Candidate**

At the:

National Theatre

September 8th, 2016

Accra

Mr. Chairman, H.E. John Agyekum Kufuor, Former President of the Republic of Ghana

Presidential Candidate of the New Patriotic Party, Nana Addo Dankwa Akufo-Addo

Honourable Members of Parliament

Chiefs and Traditional Leaders

Members of the Diplomatic Corps

Representatives of other Political Parties

Students

Members of the Media

Distinguished Invited Guests

Fellow Ghanaians

Ladies and Gentlemen

Good evening!

I would like to thank all of you for taking the time out of your busy schedules to attend or listen to this lecture on the current state of our economy.

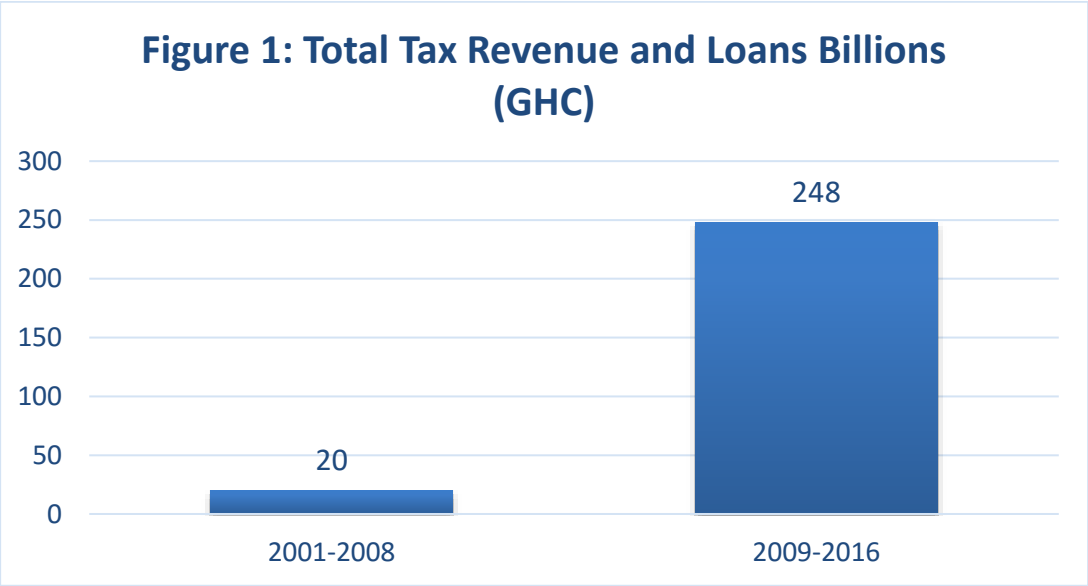
First of all, I would like to assure all Ghanaians that this lecture, as has been the case with all my lectures, will be based on an objective analysis of the data that we have on the economy. Ultimately the data and the facts will speak for themselves.

So what does the data say about the state of our economy after eight years of economic management under the NDC, with President John Mahama in charge as head of the economic management team for four years and as President for another four years.

RESOURCE INFLOWS

Mr. Chairman, any assessment of the state of the economy and the performance of the government must be against the background of the amount of resources at the disposal of the government. At a public lecture in September 2008, then Vice-Presidential candidate John Mahama said: **"To whom much is given much is expected."** I would like, with his permission, to borrow his exact words to describe his government's exact performance in the last 8 years. In this regard, it is important to emphasize for the record that measured in terms of today's dollars and cedis, no government since independence has had the amount of resources in terms of tax revenue, cocoa exports, gold exports, oil revenues and loans as the two NDC administrations between 2009 and 2016.

Under the 8 years of the NPP government, from 2001-2008, taxes and loans amounted to GH¢20 billion. In contrast, taxes, oil revenue, and loans alone over the 8-year period of 2009-2016 would amount to some GH¢248billion. The Mills-Mahama governments would have had in eight years, more than 12 times the nominal resources that the NPP had (Figure 1).



The question that Ghanaians should be asking is; how has the management of the huge resources at the disposal of the John Mahama government impacted on the economy?

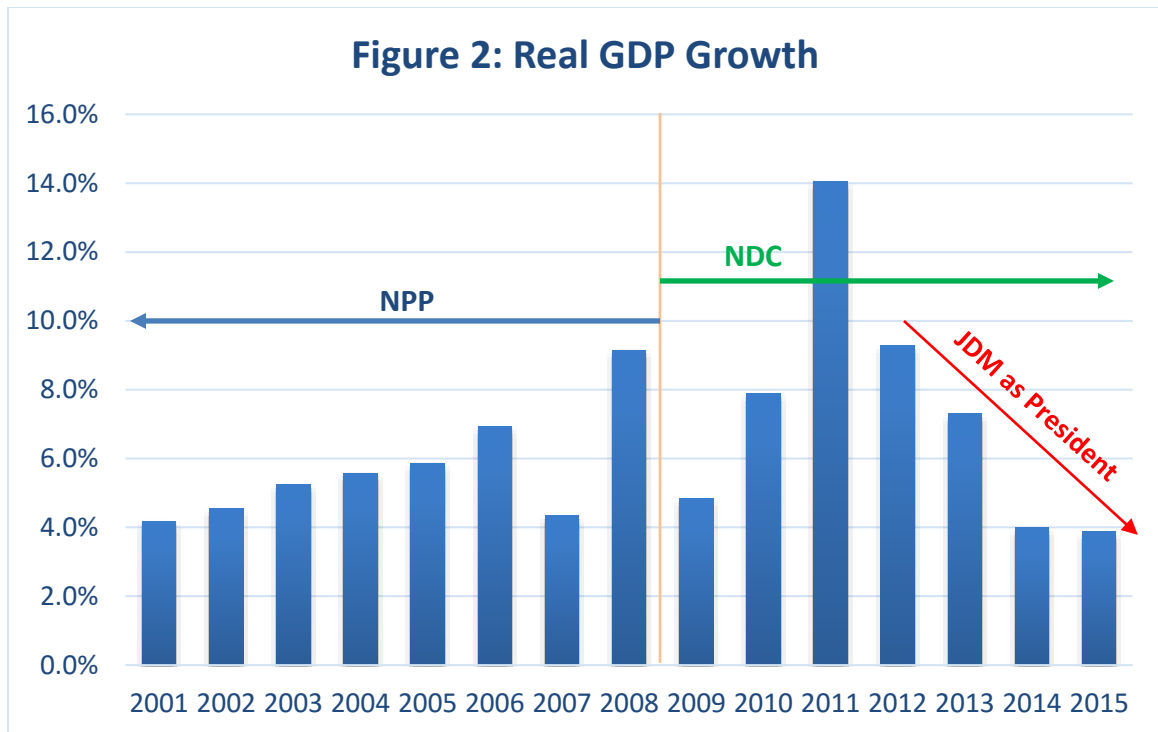
Real Sector Developments

Mr. Chairman, a key statistic that measures the performance of any economy is its gross domestic product (GDP). This is the total income of the country or its total production. If the country were a maize farm, the GDP will be the

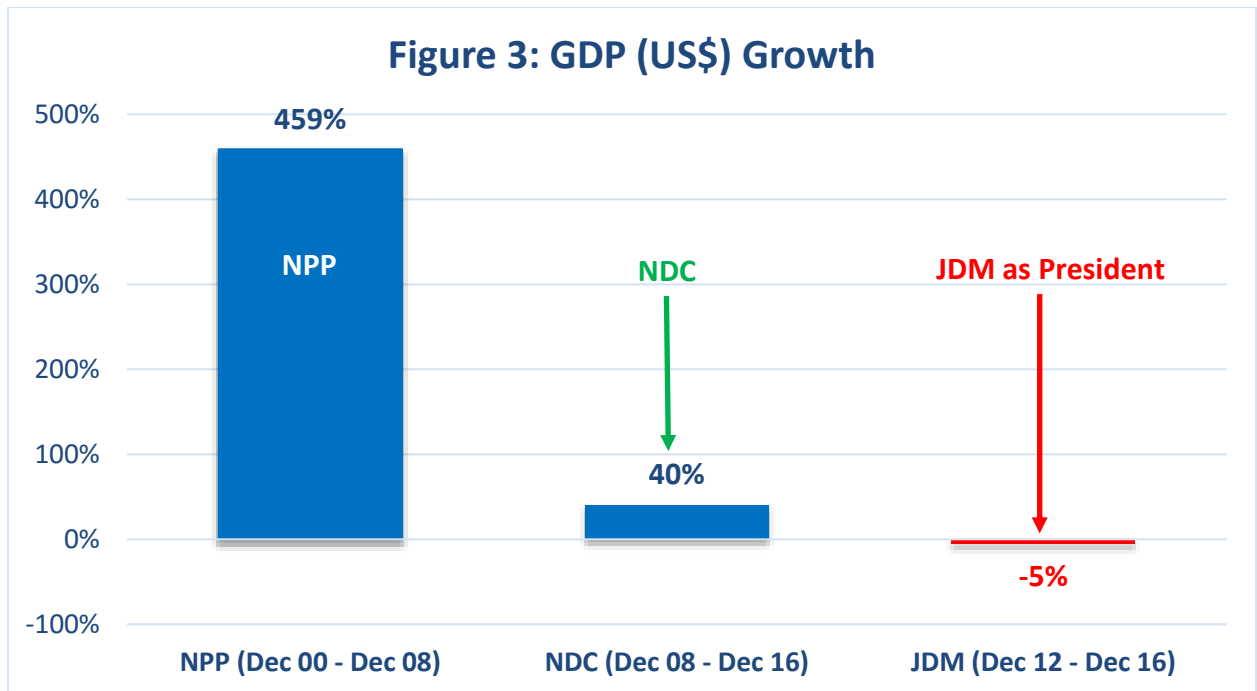
total bags of corn that we produce every year. If the economy is doing well, we will produce more and more bags of corn each year. If you can only account for a few bags of corn after eight years of farming, you cannot attempt to claim credit by saying that you used a lot of tractors or fertilizer! If in the presence of good rains, you claim to have used a lot of fertilizer and more tractors but still end up with a poor harvest, you are likely not a good farmer.

A second and just as important statistic is how many people in the country have benefited from the bags of corn we produce? Are incomes rising for all or just a few? Data from the real sector indicates the following developments over the last eight years:

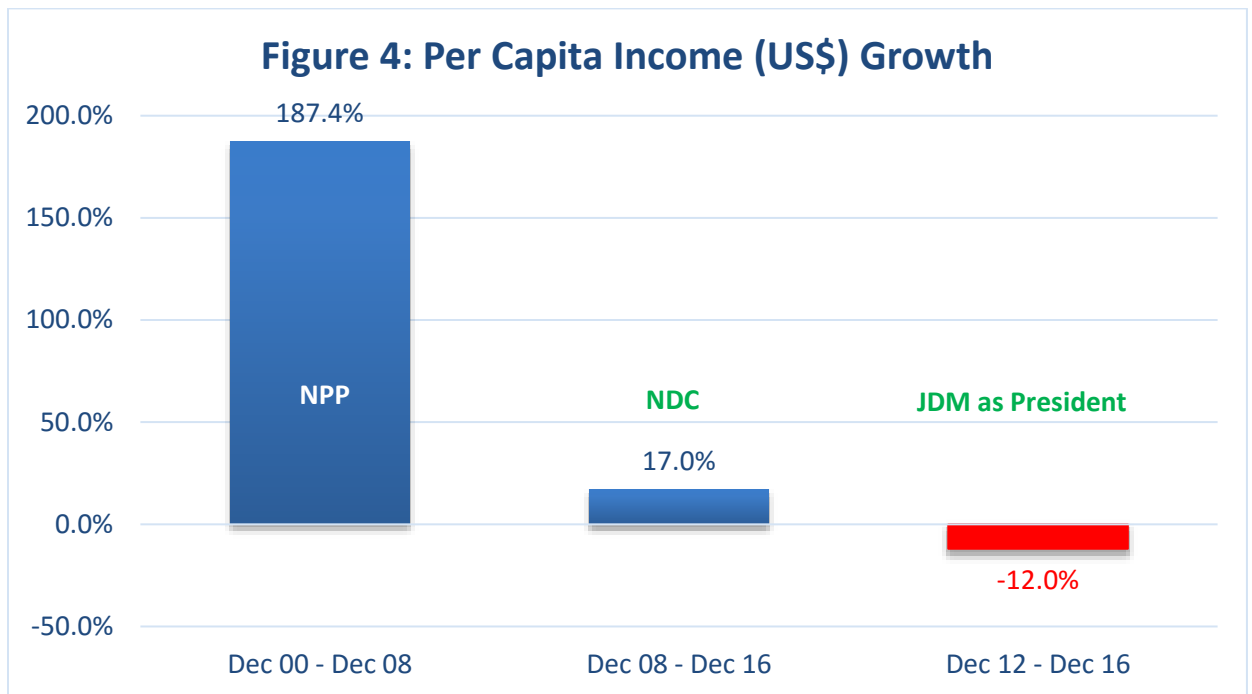
1. Between December 2000 and December 2008, without oil, economic growth increased from 3.7% to 9.1%. After declining to 4.8% in 2009, real GDP growth increased to 7.7% in 2010 and 14% in 2011 following the onset of oil production. Since 2011 however, real GDP growth has declined steadily and drastically to 3.9% in 2015 (Figure 2), basically the growth rate Ghana attained in the year 2000 which was 3.7%. President Mahama's tenure of office has been characterized by declining economic growth.



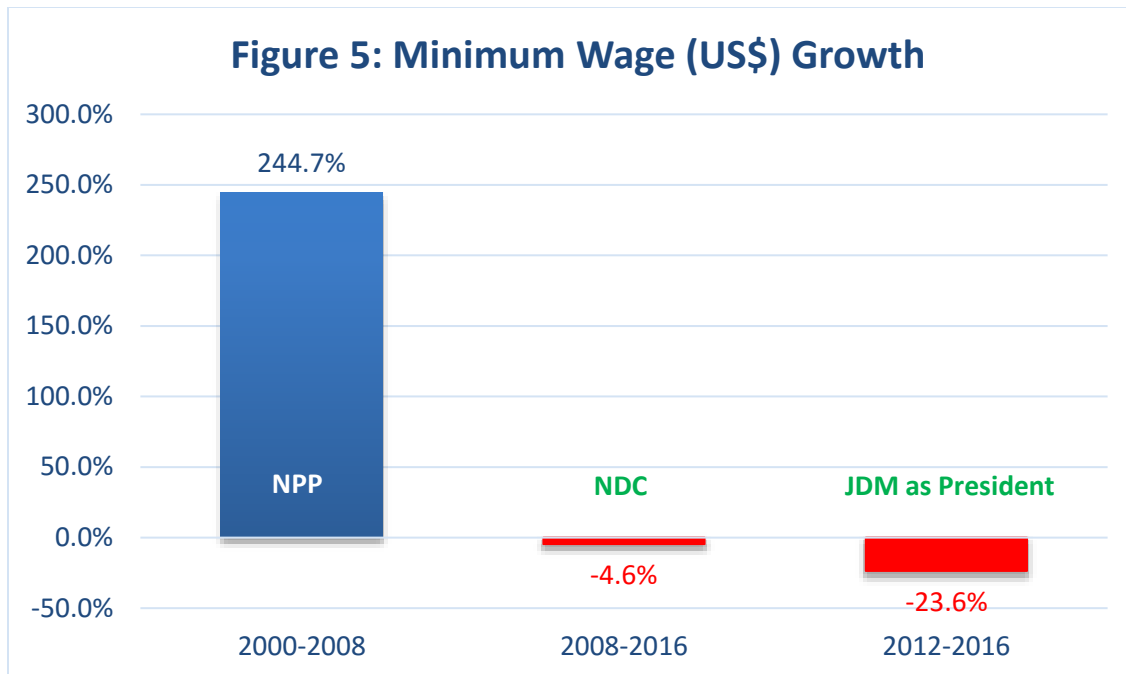
2. Between 2000 and 2008, the size of Ghana’s economy increased from some \$5.1 billion to \$28.5 billion, a 459% increase in eight years (Figure 3). Even in the face of a global economic and financial crisis in 2007/8 (with oil prices reaching a record high of \$147/barrel), economic growth in 2008 rose to 9.1%. However, Ghana’s GDP, notwithstanding the discovery of oil, has only increased from \$28.5 billion in 2008 to a projected \$40 billion in 2016 (a 40% increase in eight years). However, between 2012 and 2016 i.e. during John Mahama’s tenure as president, the economy, in dollar terms, shrunk by 5%.



3. Under the NDC, GDP per capita has recorded a growth of 17% (from \$1,266 in 2008 to a projected \$1,481 in 2016) with oil revenue. Under John Mahama's tenure as president (2012-2016), GDP per capita has declined by 12%. Under NPP on the other hand, GDP per capita recorded a growth of 187% in 8 years (from \$440 to \$1,266) without oil revenues. While the NPP increased per capita incomes by \$826 during its term, the NDC, with twelve times more resources, has increased per capita incomes by only \$215 (Figure 4). With twelve times less resources, the NPP increased GDP per capita by some four times more than the NDC. This is essentially the difference between competent economic management and incompetent economic management. It also tells us that fundamentally, Ghana's problem is not about resources. Our problem is the efficient and honest management of our resources.



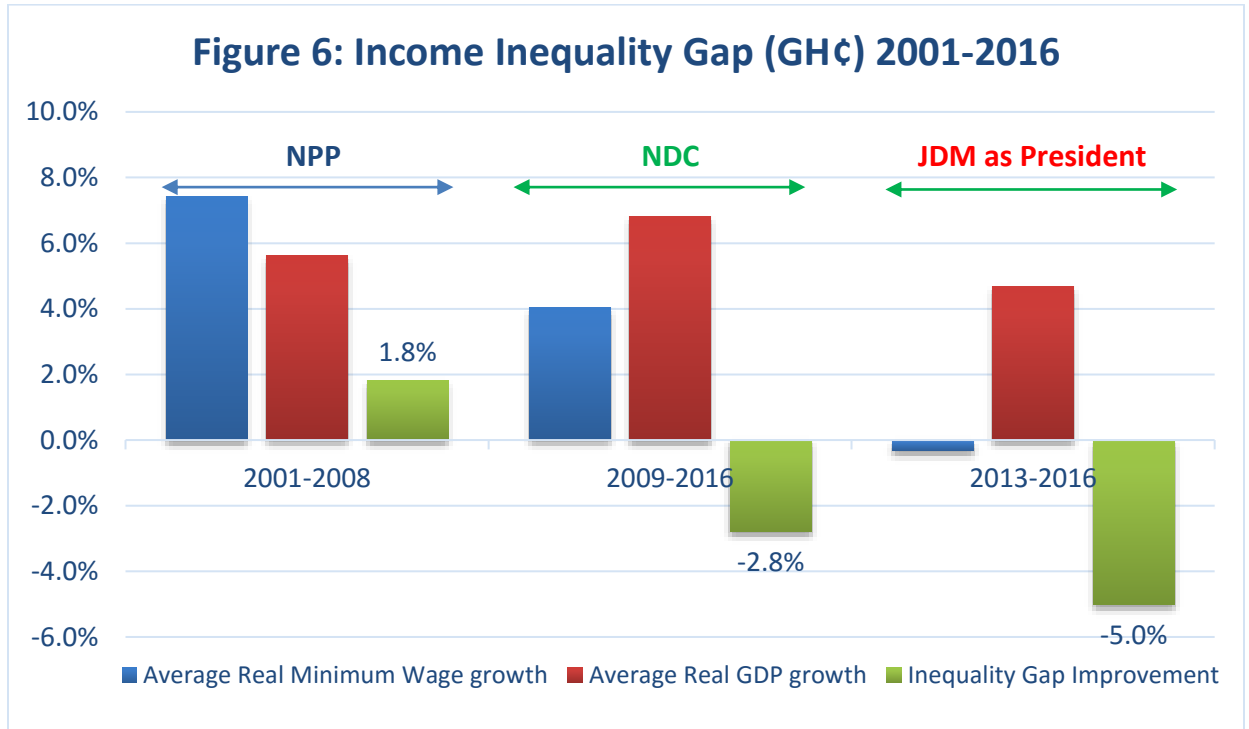
4. In dollar terms, under the NDC, the minimum wage declined from \$2.12 to \$2.02 by 2016 (i.e. by 4.6%). Between 2012 and 2016 (during the tenure of President Mahama) the minimum wage in dollar terms declined by 23.6%! (Figure 5). In comparison, the NPP increased the minimum wage from the equivalent of \$0.62 in 2000 to \$2.12 in 2008 (i.e. by 244%).



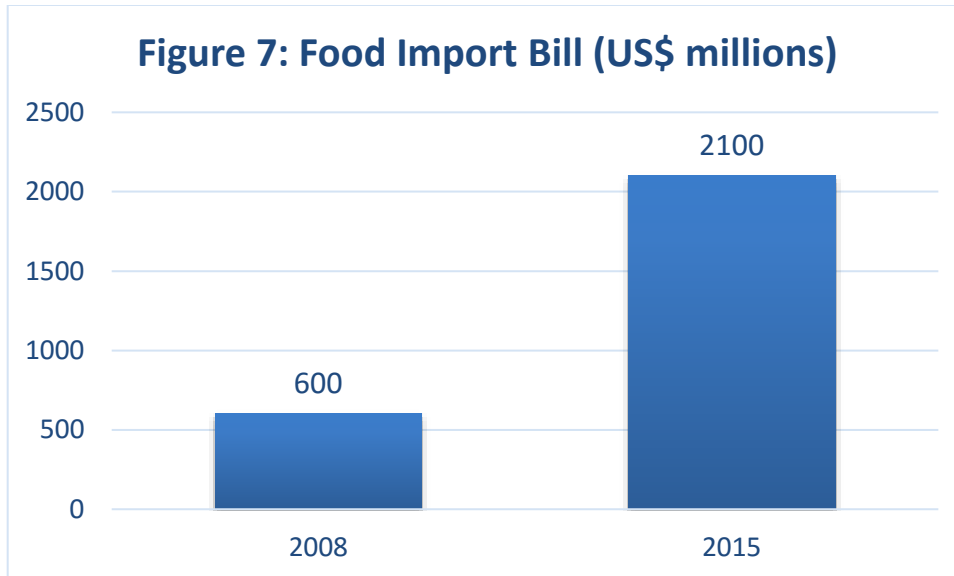
5. Furthermore, the data shows that as national income increased under President John Agyekum Kufuor in the 2001-2008 period, people at the bottom of the income scale became better off. In the 2009-2016 period however, as income increased, those at the bottom of the income scale have become worse off. While income inequality as measured by the change in minimum wage relative to the change in national income improved (by 1.8%) during the 2001 to 2008 period, it has seen a major decline since 2008, with the worst decline (-5%) occurring during John Mahama’s tenure as President (Figure 6).

6. According to the United Nations Human Development Index (a measure of progress in income, literacy and life expectancy), for the period 2000-2014, Ghana made the most progress in human development between 2000 and 2010. The average growth rates of

Ghana's UNDP Human Development Index has declined from 1.33 (between 2000-2010) to 1.13 (between 2010-2014).



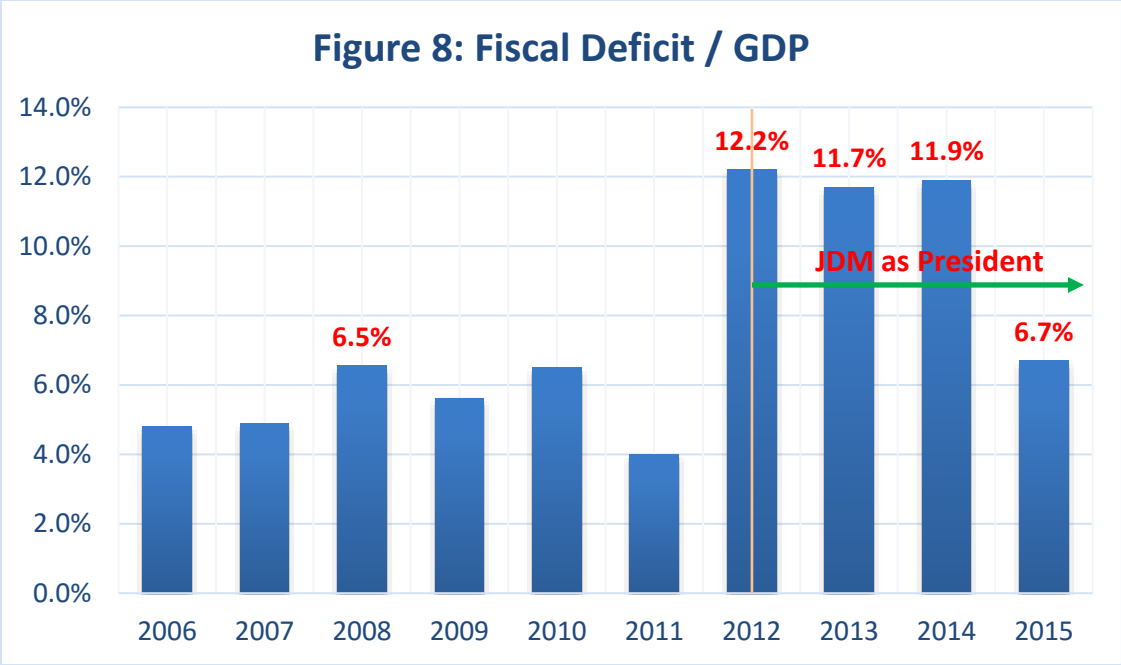
7. Ghana's food import bill has increased dramatically from US\$600 million in 2008 to \$2.1 billion in 2015 (Figure 7). Rice imports for example, rose by 52% from 395,400 metric tonnes in 2008 to over 600,000 metric tonnes in 2015.



Fiscal Deficit

At the heart of Ghana's current economic difficulties is the government's reckless management of public finances; especially in the run up to the 2012 elections, over which John Mahama presided as President. We should recall that the economy ended in 2012 with a fiscal deficit (on commitment basis) of 12.2% of GDP, 11.7% of GDP in 2013 and 11.9% of GDP in 2014 (Figure 8).

This was the first time in Ghana's history that double digit fiscal deficits were recorded for three consecutive years (and this occurred under John Mahama's presidency), and demonstrated the deep fiscal hole that Ghana's public finances had plunged into, following the reckless increases in public expenditure during the 2012 election year and subsequent years. This poor state of public finances, weak policy implementation and lack of policy credibility resulted in Ghana requesting an IMF bailout in August 2014.



In response to the reckless management of our country’s economy and resources, which has led Ghana back to the doorsteps of the IMF, the government resorted to three paths:

1. First, imposing taxes on every conceivable item in an attempt to raise resources to fill the deep hole they had dug. In their desperation, taxes were imposed on condoms, cutlasses, savings and investments etc., while already existing rates have all seen increases – sometimes astronomic increases. Taxes on businesses have increased dramatically and new taxes have been introduced. For example, increases in capital gains tax (from 10% to 25%), withholding tax (from 15% to 20%) and the introduction of the Energy Levy (10%), VAT on Electricity (17.5%), VAT on Financial Services (17.5%), Special Import Levy, etc. Taxes have also been introduced on ambulances and bicycles.

2. Second, cutting and abolishing all forms of allowances and expenditure that crosses their mind as “abolishable”. These insensitive cuts have included cuts to research allowances for lecturers, nursing training, and teacher training allowances.

3. Third, the government is also accumulating arrears in payments to contractors and other service providers.

This situation notwithstanding, the Government’s supplementary budget asserts that under the IMF program, there is a process of fiscal consolidation taking place with a decline in the fiscal deficit to 6.7% in 2015. But is fiscal consolidation really taking place?

When Ghana received an IMF bailout, there was a clear expectation that the process of fiscal consolidation (a sustained decline in the fiscal deficit/GDP ratio) would take place. This, after all, is what IMF austerity programs are supposed to achieve.

The decline in the fiscal deficit is supposed to bring down inflation, improve debt sustainability, help lower interest rates to support private sector activity, crowd-in the private sector, increase investment and above all increase economic growth to help create jobs and alleviate poverty.

The only problem, however, is that what Ghana is experiencing is a unique type of fiscal consolidation which has defied all expectations. Ghana’s fiscal consolidation is apparently taking place in the midst of unsustainably high public debt levels, inflation that is stubbornly high and is currently at 16.7%

(the 8th highest in Africa), a rising black hole of state-owned enterprise (SOE) debt, which together with the debts owed by government to the bulk oil distribution companies (BDCs) and the lack of adequate supervision of microfinance companies can potentially collapse the banking system. In addition we have rising interest rates, crowding out of the private sector, reduced business confidence, and declining economic growth. The Ghanaian experience is exactly the opposite of what fiscal consolidation is supposed to achieve. Fiscal consolidation is not the end in itself but a means to an end.

Mr. Chairman, the IMF has stated that it has not concluded the third review of Ghana's program which was expected to go to the Board in June this year. Amongst the reasons stated by the IMF for the non-conclusion of the third review is that the fiscal data for 2015 is yet to be "reconciled". This is a code phrase or euphemism for the possibility that the 'data is likely wrong'. How can 2015 fiscal data not be reconciled by July 2016? What is so complicated about it?

The Center for Economic Policy Analysis (CEPA) has pointed out the fiscal data that the government has presented shows that:

- It has not accumulated any arrears as required by the IMF program performance criterion
- It has actually cleared arrears at a faster rate than initially programmed, and
- Compensation to government employees (wage bill) exceeded what was budgeted.

The question that naturally arises from this state of affairs is that, if the deficit was not financed by expenditure cuts or accumulation of arrears then how was it financed? This is why CEPA believes, and I agree with them that the financing shortfalls are more likely to have been largely financed by the \$1 billion Eurobond issued in 2015, along with the accumulation of arrears.

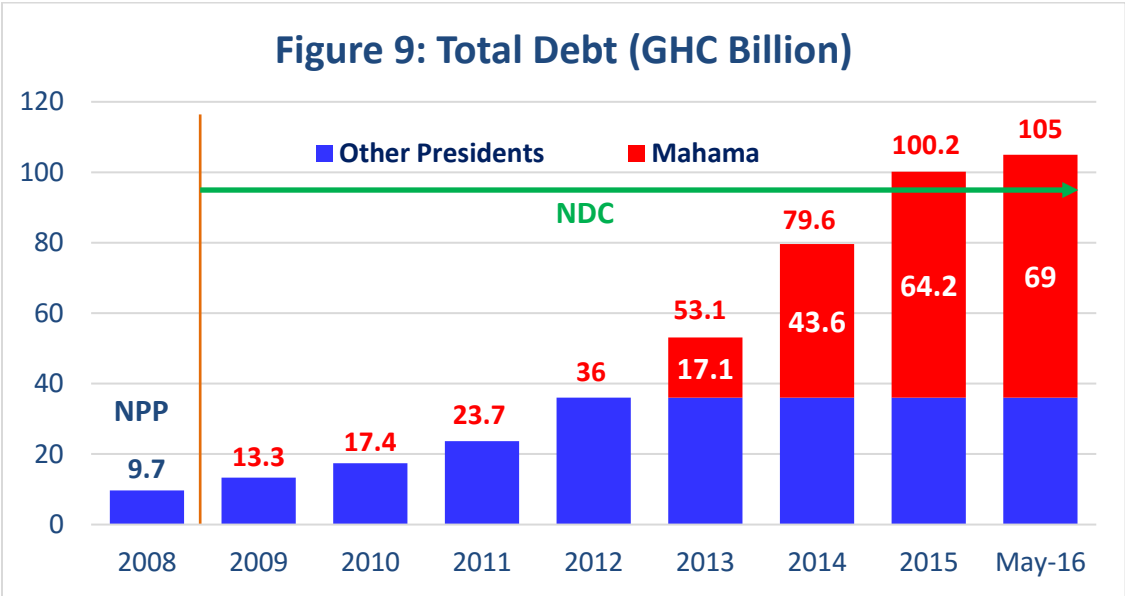
Mr. Chairman, the 2016 supplementary budget has further muddied the waters by revealing a large unexplained “Discrepancy” of GH¢1.7 billion in 2016. It is a figure that the government has been unable to explain. How can an amount of such a magnitude still be a mystery almost a year later? What is the government hiding? It appears that even though this is money that has been spent, the government is afraid to come clean because it will likely lead to a missing of the IMF performance targets. Should this be confirmed, it will mean that the fiscal deficit for 2015 is actually higher than what has been reported. This undermines the credibility of the government.

Arrears accumulation is the likely explanation of this discrepancy because the report about rising non-performing loans in the banking sector due to debt not being paid by public institutions, which is being driven by government’s inability to pay its debt to institutions such as ECG, VRA, etc.

DEBT STOCK & DEBT SUSTAINABILITY

Mr. Chairman, I now turn to the issue of the public debt stock. By the end of 2008, following the adoption and implementation of the HIPC initiative and the Government’s policy framework of fiscal discipline, the country’s debt to GDP ratio had declined from 189% in 2000 to 32% of GDP. Indeed, from independence in 1957 to 2008, Ghana’s total debt amounted to GH¢9.5 billion.

However, in the last seven years alone under this NDC government, Ghana’s total debt has ballooned from GH¢9.5 billion to GH¢100 billion by the end of 2015 and GH¢105 billion in May 2016! Some 66% of Ghana’s debt, GH¢69 billion of it, has been accumulated under the presidency of John Dramani Mahama in just last three and a half years! (Figure 9)



In terms of the dollar equivalent of the money borrowed, this government has borrowed some \$39 billion in eight years. When I mention this, they either

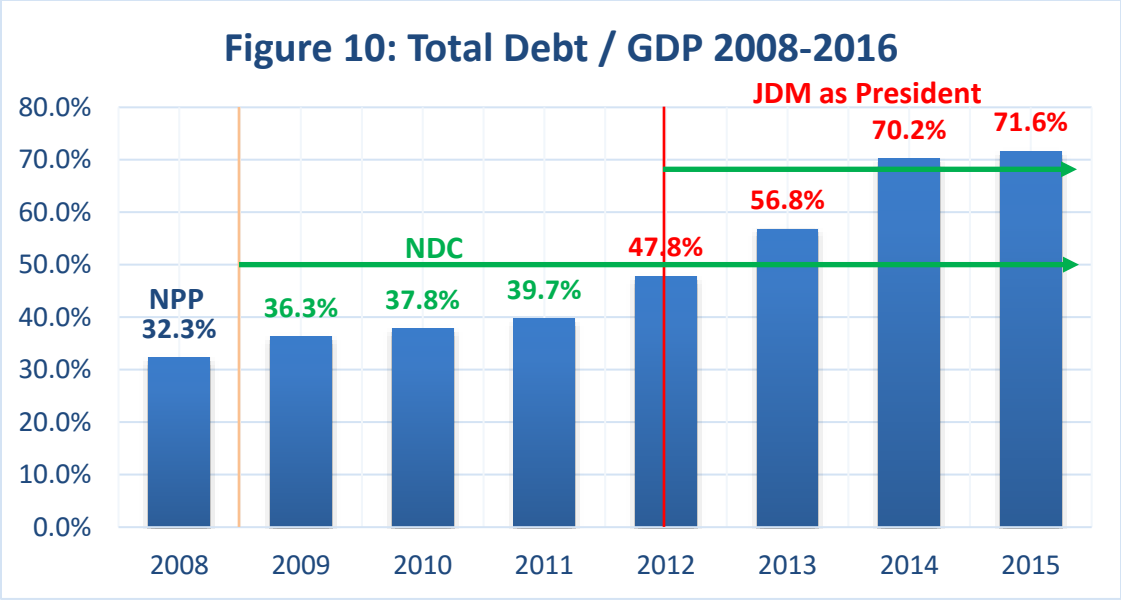
get confused or pretend to get confused. So for the sake of clarity, Table 1 below shows the dollar equivalent of the monies borrowed as at the end of May 2016. By December 2016 the amount will be at least \$42 billion.

Table 1. Dollar Value of Government Borrowing (2009- May 2016)- Billions

	Total Debt (GHC)	Additional Debt (GHC)	Exchange Rate GHC/US Dollar	Additional Debt (US\$)
2008	9.5			
2009	13.2	3.7	1.42	2.61
2010	17.3	4.1	1.47	2.79
2011	26.1	8.8	1.5	5.87
2012	37.7	11.6	1.88	6.17
2013	49.9	12.2	2.2	5.55
2014	76.1	26.2	3.2	8.19
2015	100.2	24.1	3.8	6.34
2016 May	105	5	3.9	1.28
Total		89.6		38.79

The government will claim that the book value of the debt is \$26 billion, so it would be impossible that they could have borrowed close to \$39 billion. Quite frankly this is a weak argument. The only reason why the book value of the debt is some \$26 billion is because we are applying today's exchange rate (which the same government has succeeded in collapsing), to value the debt and not the exchange rate at the time the money was borrowed.

Mr. Chairman, with this major increase in debt, Ghana's debt to GDP ratio (using the book value of the debt) has increased from 32% in 2008 to 72% at the end of 2015 (Figure 10).



Interestingly, in the presentation of the supplementary budget in July 2016, the Minister of Finance stated that Ghana’s debt to GDP ratio has declined from 72% in December 2015 to 63% in May 2016. Unfortunately, and sadly, this is untrue. The calculation of the debt to GDP ratio used by the Minister is just plain wrong and misleading.

The government has taken the total debt stock in May 2016 and divided it by the projected GDP for December 2016 to arrive at a debt/GDP ratio of 63%. This is statistical gimmickry. If you ask the Minister how he achieved the dramatic reduction in the debt to GDP ratio in either January or May 2016, he would be unable to tell you. All that has happened is that he has used the higher projected GDP number to do the calculation.

What is sad is that the Government is in possession of first quarter 2016 GDP numbers and if the Minister had reported accurately, it would be obvious that the debt to GDP ratio for Ghana at the end of March 2016 was

71.1% (With the debt stock at GH¢103 billion and first quarter GDP at GH¢144 billion). So this is what we know at the end of the first quarter of 2016. Ghana's debt to GDP ratio is at 71.1%, and not the 63% reported by the Minister for May 2016 for which he used projected December GDP data.

Interest Payments

Mr. Chairman, the real effects of the reckless borrowing undertaken in the last seven years is seen in the magnitude of interest payments Ghana has been burdened with, which has meant that vital resources which should have gone into vital sectors, infrastructural development and social services, are now being pumped into settling our debt obligations.

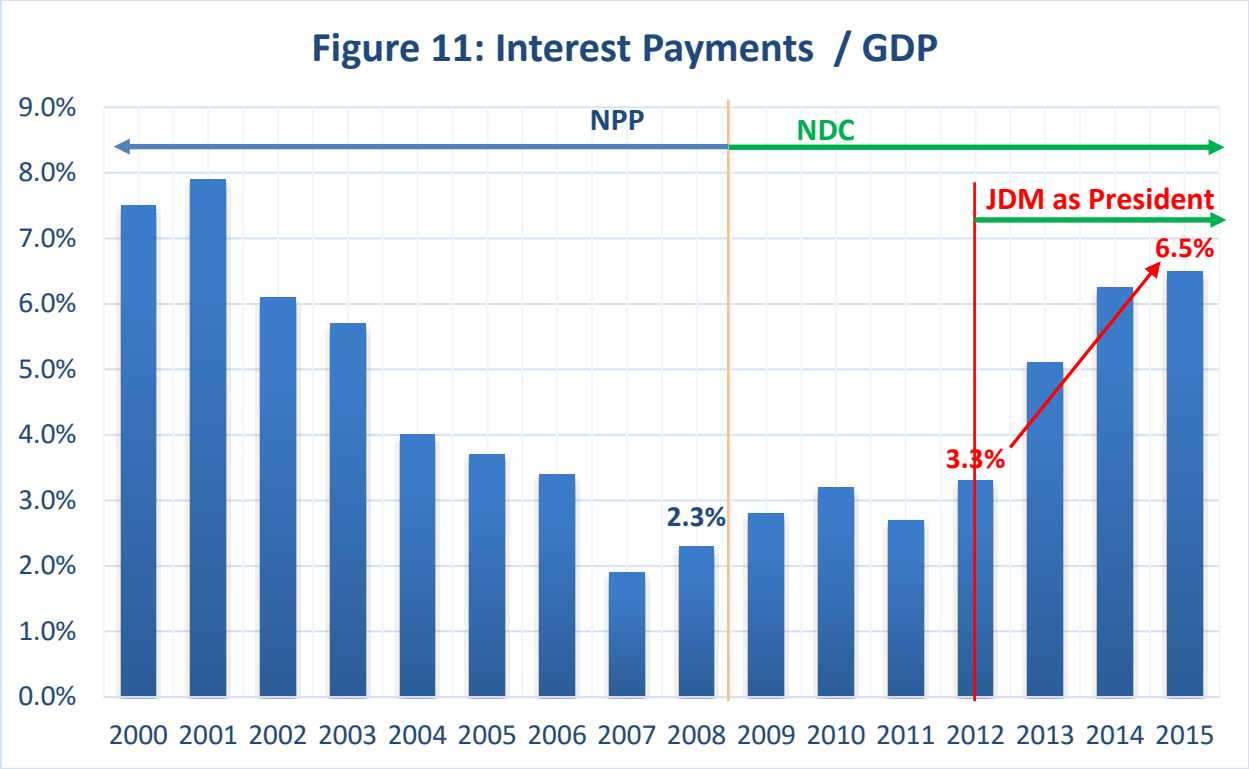
In 2015, interest payments amounted to more than GH¢9.6 billion. That figure was more than the total debt stock of GH¢9.5 billion in 2008 at the end of President Kufuor's term for which President John Mahama criticized the NPP government.

To put the interest payments on the debt in context, we should note that the entire allocations in the 2016 budget to the Ministries of Roads and Highways, Trade and Industry, Food and Agriculture, Water Resources, Works and Housing, Youth and Sports, and Ministry of Transport amounted to a total of GH¢2.1 billion. Interest payments in 2016 (GH¢10.5 billion) would be five times what was allocated to these six key ministries combined. As interest payments go up, the space for development shrinks, and this is all

due to financial indiscipline. At the end of 2008, Ghana's total interest payments amounted to GH¢680 million.

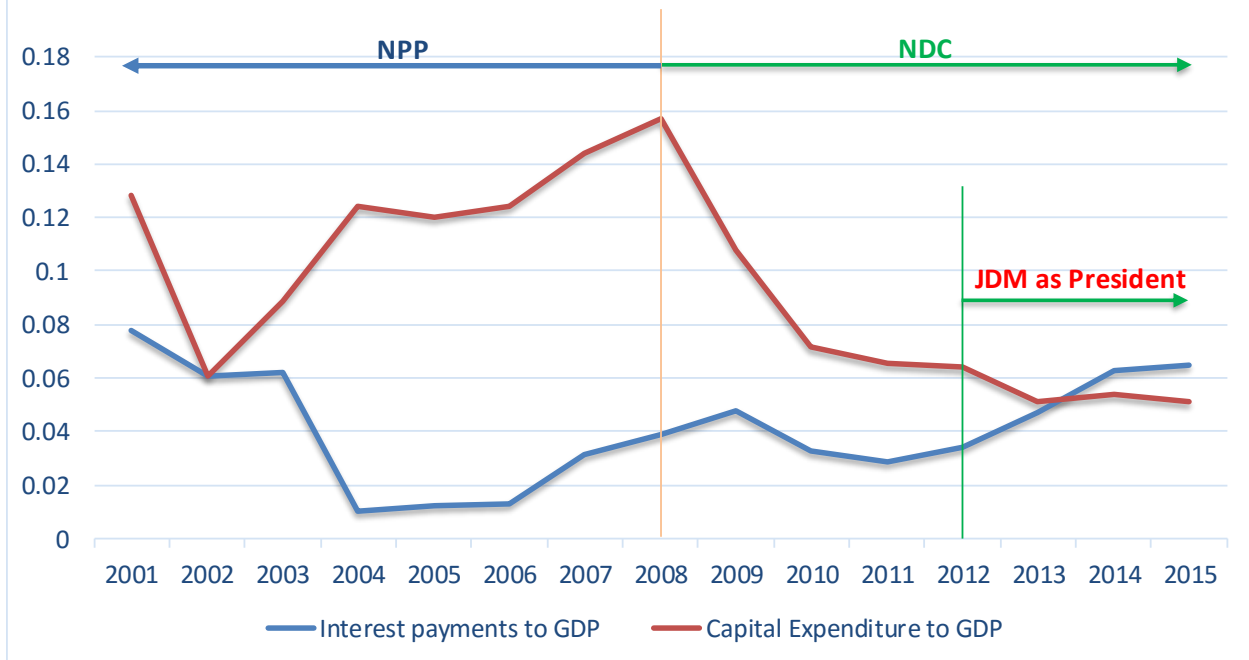
Mr. Chairman, the interest payments on the debt stock in 2015, was six times Ghana's oil revenue. The oil discovery has basically been compromised over the last seven years by the government's recklessness and incompetence.

Ghana's interest payments as a percentage of GDP declined from 7.9% in 2001 to 2.3% by 2008. It has since increased to 6.5% by 2015 (Figure 11). It is worth noting that Ghana's interest payments have doubled under the Presidency of John Dramani Mahama.

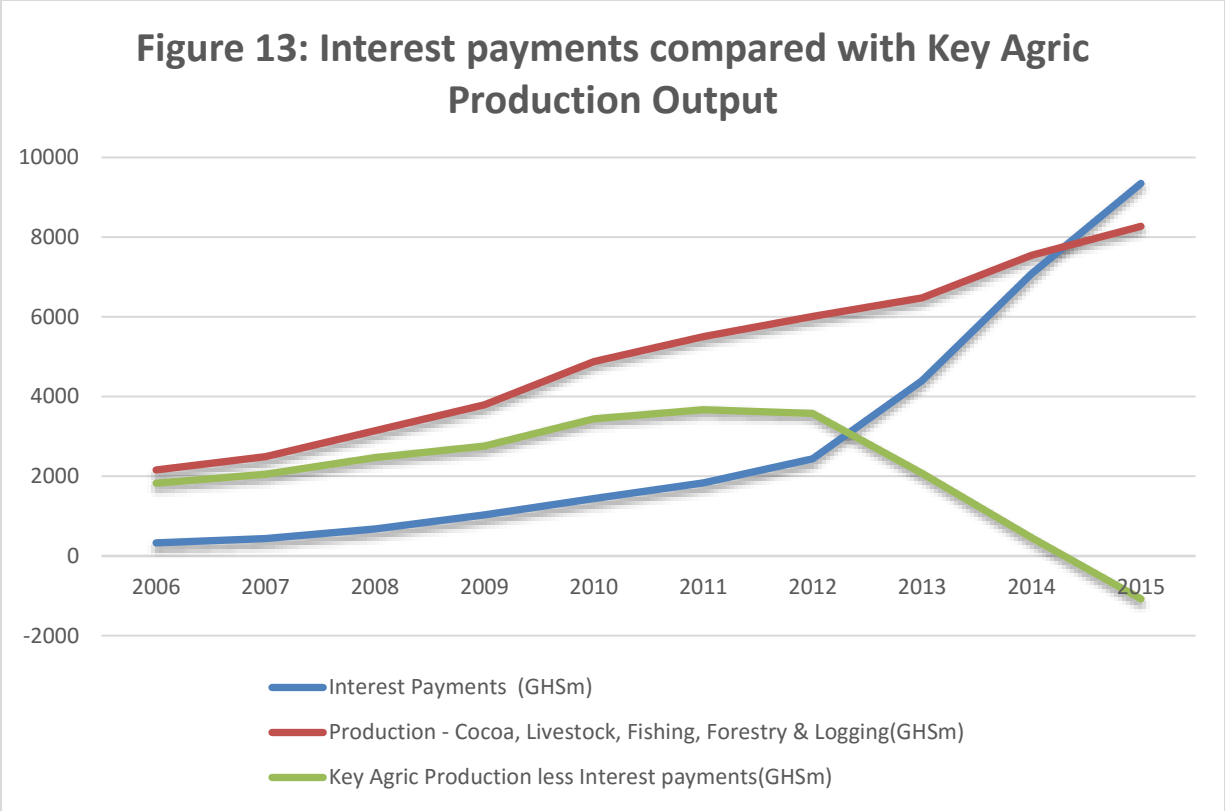


The data also shows that during the NPP period of governance, capital expenditure far exceeded interest payments. This is because low interest payments allow room for more capital expenditure (Figure 12). Infrastructure expenditure as a percentage of GDP declined sharply after 2008 as interest payments increased. From 2014 to date, interest payments have now incredibly exceeded infrastructure expenditure. How can an economy be on an upward growth path when interest payments exceed infrastructure expenditure? This is the result of NDC’s economic mismanagement.

**Figure 12: Interest Payment and Capital Expenditure to GDP
2001-2015**



Interest payments have also incredibly overtaken key agricultural production (Cocoa, Livestock, Fishing, Forestry & Logging) in Ghana (Figure 13).



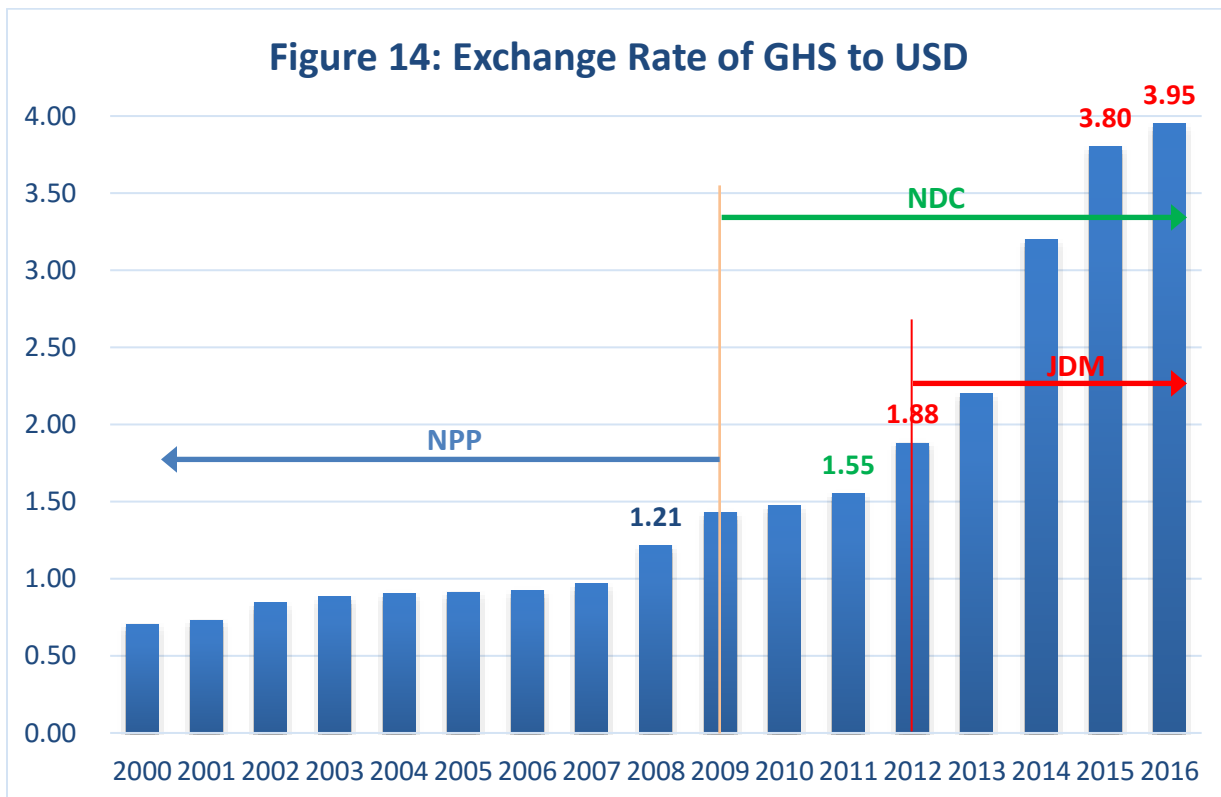
Mr. Chairman, with such large scale borrowing, government is crowding out the private sector which is unable to borrow to grow their business. Risk free Treasury Bill rates are around 23% (up from 10.6% in 2011) and bank lending rates are on the rise because of excessive government borrowing. Lending rates of financial institutions are now as high as 40%. Under the NPP, Treasury Bill rates were reduced from 42% at end 2000 to 24.7% at end 2008 (a reduction by 17 percentage points). Under the NDC, Treasury Bill rates have only been reduced from 24.7% in 2008 to 23% in August 2016 (a reduction of only 1.7 percentage points).

This development means it has become virtually impossible for businesses to borrow in the financial sector to grow and produce more. Government has

today become the biggest competitor to private business and by its actions squeezing the little life left in them.

EXCHANGE RATE

Mr. Chairman, under this government's economic management, the Ghana cedi has obtained the dubious distinction of being one of the worst performing currencies in the world. The cedi has depreciated from some GH¢1.2 to the dollar in 2009 to GH¢ 3.95 (almost GH¢4) to the dollar currently (Figure 14). This is in contrast to the remarkable stability of the cedi during the eight years of NPP government.



In terms of exchange rate depreciation, the worst performance between 2001 and 2016 has been between 2012 and 2016 (during the tenure of John Mahama as President).

THE ENERGY CRISIS AND THE “DUMSOR” PROBLEM

Mr. Chairman, the energy sector has been badly managed since the Mills/Mahama government took over the reins of government in 2009. The poor management of the sector has been characterized by generation shortfalls, corrupt procurements, frequent power cuts, inefficiencies and unsustainable debts.

Whilst the Government is engaged in questionable power procurements, our dedicated state-owned power infrastructure, from which revenue is generated by our utilities is collapsing. Akosombo has constantly been over-drafted, thermal plants are frequently breaking down; and all our plants operate below capacity. The Takoradi 3 thermal plant has been shut down although it was commissioned only two years ago. Therefore, in spite of the fact that our country has a total installed capacity of about 3000MW, available capacity is under 2000MW. The poor maintenance and management of our generation plants have weakened the sector, further undermining long-term expansion and energy security, whilst demand for electricity grows at 12% annually. Ghana's industrialization agenda is clearly in danger.

Today, the energy sector faces an unprecedented financial crisis in Ghana's history. The very existence of our biggest electricity generator, the Volta

River Authority, is under serious threat, as its debts continue to increase. VRA's debts is reported to be between US\$1.5 billion to US\$2billion .

The cost of electricity to industry has been alarmingly high, and this has led to the collapse of some factories and relocation of others to our neighboring Ivory Coast.

The problems in the energy sector have led to five years of “dumsor” which has brought unprecedented devastation on our industries (particularly small businesses), job losses, income losses, deaths in our hospitals, disruption of life and destruction of electrical appliances of businesses and homes cannot be fully quantified. We have collectively paid a heavy price for the mismanagement of this government.

BANKING SECTOR FRAGILITY

Mr. Chairman, as Ghana's economy has declined under John Mahama's NDC government, so has the financial sector become increasingly fragile and vulnerable. Specifically:

1. Bad loans in the banking sector have risen significantly. Economic and Financial data from the Central Bank, show that non-performing loans have risen sharply from 11.2% in May 2015 to a critically high 19.3% in May 2016. For example, the level of impaired loans in one of the largest Commercial banks, have quadrupled and the situation is becoming widespread in the banking sector. Available information shows that due to non-payment of these loans, the banks have declared GH¢2.4 billion of the outstanding stock of loans as a complete loss and are making

provisions against profits. Certainly these are resources that could be channeled to create more industries in our communities.

2. The Asset Quality Review of Banks conducted in 2015 shows significant vulnerability of banks to current economic conditions, and that if the affected banks were to provision fully for all bad loans, a significant number of them would collapse. Eight (8) banks were identified to exhibit significant weaknesses, with capital adequacy ratios below 10% (some below 5%) and nearing collapse.
3. Real credit to the private sector is on the decline. As at May 2015, the annual flow of credit to the private sector was GH¢4.5 billion (around \$1.7 billion). For the same period in May 2016, the yearly flow of credit from the banks to the private sector had declined substantially to GH¢1.7 billion (around \$445 million). This is the extent to which private sector activity has been deprived of loan liquidity, a condition that is affecting their economic fortunes including creating jobs to alleviate poverty and growing to also boost growth in the economy as a whole.
4. Making the bad situation worse is the inability of some Public Institutions to service their indebtedness to the banking industry. By some estimations, these public institutions are indebted to the banks to the tune

of about 4-5% of GDP and this will require careful monitoring to avoid an explosive situation.

5. The situation of poor state of the microfinance companies is equally of critical importance given the role they play in our economy in supporting micro-businesses.

LOSS OF POLICY CREDIBILITY

Mr. Chairman, one of the reasons the John Mahama government has given for requesting an IMF bailout was to help it regain policy credibility. Two years after the IMF program however, the government's policy credibility is still in tatters, if not worse. The recent attempted Eurobond issue is an example of the loss of policy credibility. After four successive Eurobond issues in 2007, 2013, 2014, and 2015, the attempt by the government to issue another Eurobond in 2016 was rebuffed by the investors who have become increasingly skeptical about the Ghana story. The warning should have been on the wall when in 2015, even with a World Bank guarantee, for which we paid 0.75%, Ghana's bond was priced at a very high 10.75%! Without a World Bank guarantee and with the third Board review of Ghana's IMF program in limbo, it was inevitable that Ghana would be asked to pay a very high price for the 2016 Eurobond.

Mr. Chairman, several credibility issues have manifested recently:

- The government appears to have reneged on an understandings it had with the IMF with regards to the recently passed Bank of Ghana Act

and the Public financial Management Act. This quite clearly is bad faith and undermines the credibility of government.

- There is also the big question of the use of the 2015 \$1 billion Eurobond proceeds. The prospectus to the Eurobond issue clearly specified what the money was to be used for. Specifically, the prospectus states that:

“The Republic expects the net proceeds of the issue of the notes to amount to approximately US\$958,517,630, which the Republic expects to utilize to repay outstanding domestic debt of the Republic” (Page 29 of Prospectus)

What is now clear is that the government did not quite use the proceeds for the purpose that was stated in the prospectus and the basis on which investors bought the bond. In what is a clear admission that this is in fact the case, the Minister of Finance during a press conference on August 24th 2016, stated that out of the \$1 billion Eurobond :

“We spent just about \$500 million, and carried the remaining \$500 million as a buffer as we go into zero financing. So that when we have uncovered auction, we are able to use the World Bank money which we should have used entirely for domestic to get into that policy to ride on that policy”

What the Minister has admitted is simply unbelievable. You go on to the international capital market and borrow at 10.75% and decide to park those funds as idle funds in the Bank of Ghana just in case you have an auction failure? Why borrow funds at such a high rate if you have no use for them?

It is very bad economic management, pure and simple. The government simply used the bond proceeds to finance its deficit rather than refinancing debt as it said it would. This undermines policy credibility.

As a result of the lack of policy credibility, Ghana is now having to borrow at very high interest rates on the Eurobond market, amongst the highest in the world.

Figure 15 shows that when Ghana issued its first Eurobond under the NPP in 2007, the spread (i.e. the difference) between the interest rate on the bond and US treasuries of similar tenor was 3.87%. This spread is the premium investors demand over and above prevailing interbank interest rates. It is, in effect, a measure of the borrower's risk. The lower the number for the premium paid, the higher the creditworthiness of the borrower and vice versa. The second and third bonds were issued under the NDC in 2013 and 2014 at higher spreads of 5.4% and 5.72% respectively.

Ironically, our credit worthiness has been decreasing since we became an oil exporting country. In 2015, notwithstanding a World Bank guarantee, the spread was the highest so far at 8.34%. Clearly, confidence in the management of our economy has eroded in the eyes of the international investor community, as the years have gone by under the NDC's economic management. It comes therefore as no surprise that our fifth Eurobond was rejected by the market when it tried to borrow. Today, contrary to its stated objectives of borrowing long term (above 10 years), the government is now being forced by the market to borrow short term to medium term for 5 years

against their stated objective. They will very soon claim success for achieving this lowered goal.

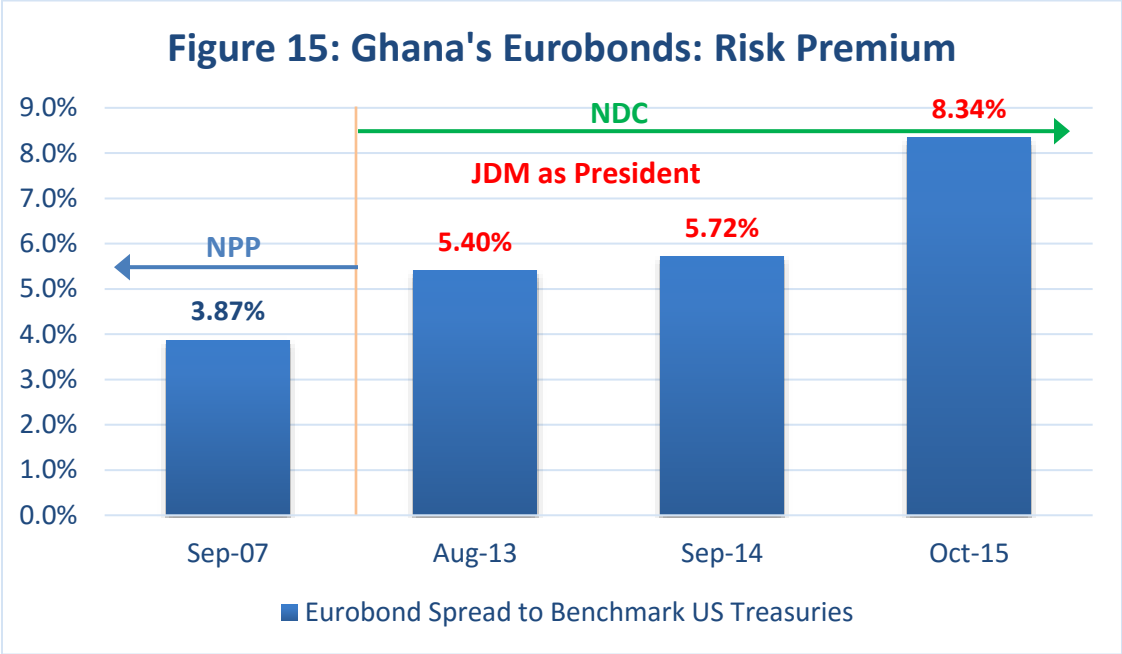
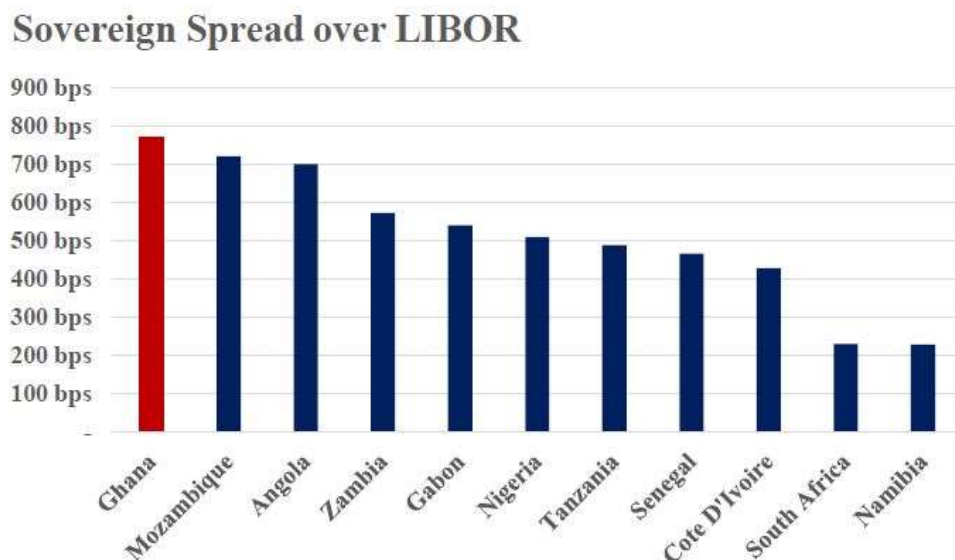


Figure 16 also shows that Ghana attracted the highest interest rates on its borrowings among its peers in sub-Saharan Africa in 2015. This, Ladies and Gentlemen, is the price we are paying for mismanagement and incompetence under this NDC government.

FIGURE 16: Sovereign Spreads over LIBOR



- President John Mahama and the NDC government have also made several statements which have either turned out to be untrue or are contradictory. Either way they have served to undermine the credibility of government and its economic management team. These include:
 - The denial that government would ask for a bailout from the IMF
 - The promises to end DUMSOR
 - His flip-flops on ECG Privatization
 - The promise to put cash in the pockets of Ghanaians

- The denial that civil servants are likely to be laid off under a rationalization program to be implemented in 2017
- The promise by President Mahama not to make any more promises

One is no longer sure what to believe.

UNEMPLOYMENT

Mr. Chairman, the net result of the economic policies of the John Mahama government is and the resulting declining growth of the economy is the unprecedented joblessness that afflicts our people today and the apparent inability of the government to find an urgent remedy to boost and produce the jobs we urgently need. Declining GDP growth, Dumsor, high electricity and utility bills, high interest rates, the massive exchange rate depreciation, high government debt which has crowded out the private sector, rising non-performing loans, rising corruption, declining business and consumer confidence, declining infrastructure investment as a percentage of GDP, increasing government arrears, etc. have all contributed to the high unemployment in Ghana.

- The World Bank has reported that youth unemployment in Ghana stands at 48%.
- Graduate unemployment has reached crisis proportions with a reported 60% of graduates unable to find a job three years after graduation.

The increasing unemployment in the country is a ticking time bomb but the government has been bereft of ideas to create jobs. GYEEDA for example was used as a vehicle to siphon public funds and not for job creation.

THE SEARCH FOR EXCUSES

Mr. Chairman, rather than admitting its culpability for the dire situation of this economy, President John Mahama and the NDC government have resorted to providing various excuses for their failure. The excuses include the following:

INTERNATIONAL COMMODITY PRICES AND EXTERNAL CONDITIONS

The NDC has argued that Ghana's economic problems are the result of a decline in international commodity prices. However, the evidence does not support this assertion. In fact, contrary to what they would have us believe, this government has benefited from relatively positive international commodity price movements for cocoa and gold as shown in Figure 17 below.

Cocoa

Under the NPP (Jan 2001 to December 2008), cocoa prices ranged between \$965 and \$3,021 per metric tonne. The NPP enjoyed cocoa prices of above \$3,000 for only 1 month in all the 8 years (Figure 17).

Under the NDC, (Jan 2009 to July 2016), cocoa prices have ranged between a low of \$2,113 and a high of \$3,522. The NDC has enjoyed cocoa prices of \$3,000 or more for 42 months (more than half of the time they have been in office).

While the average cocoa price under the NPP was \$1,729; the average cocoa price under the NDC has been \$2,873 - 66% more than under the NPP!

Gold

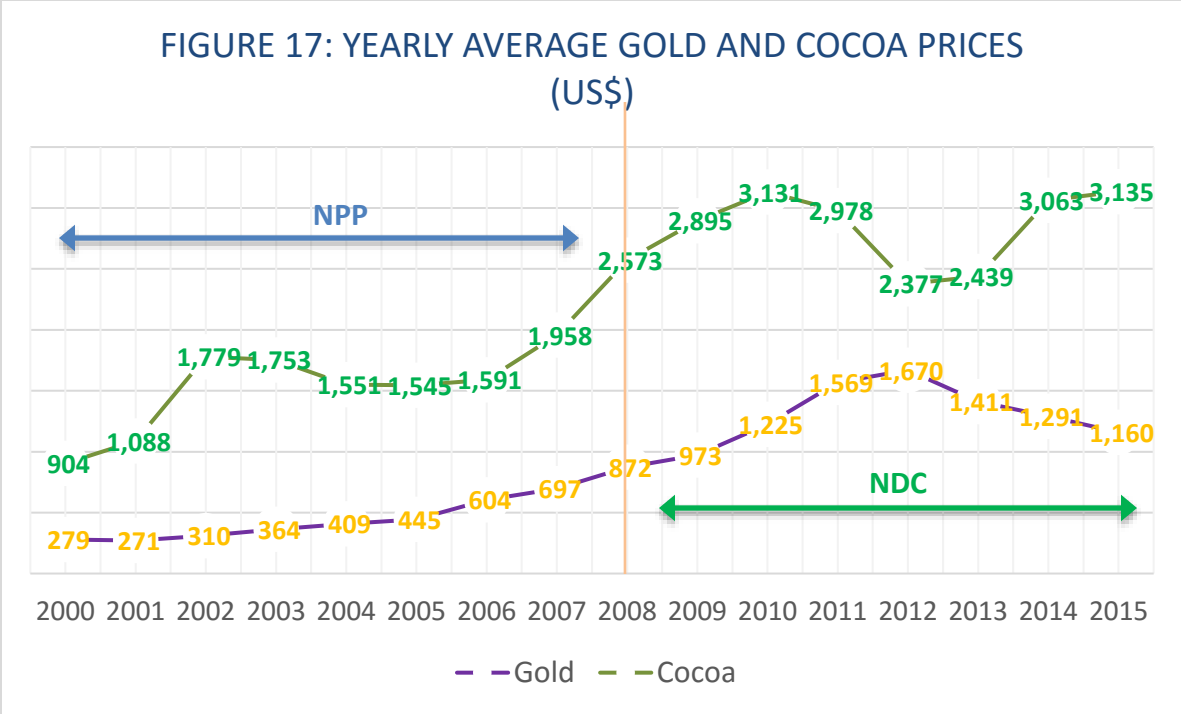
Mr. Chairman, under the NPP (from Jan 2001 to Dec 2008), gold prices ranged from a low of \$260 to a high of \$968 per ounce. Under the NDC on the other hand (from Jan 2009 to July 2016), gold prices have ranged from a low of \$858 to a high of \$1,770.

While the average gold price under the NPP was \$486; the average gold price under the NDC, has been \$1,317 - 170% more than under the NPP.

The fact is that cocoa and gold prices have been 66% and 170% higher respectively under the NDC, on the average, than under the NPP.

If with such low gold and cocoa prices, the NPP did not collapse the economy, then how can the NDC blame the much higher gold and cocoa prices they have had for Ghana's current economic mess?

The crisis we find ourselves in is not due to falls in commodity prices, it is due to corruption, incompetence and mismanagement.



Mr. Chairman, we should also note that amongst its peers in the West African monetary zone, who all face the same international commodity prices and external conditions, Ghana is the worst performer on macroeconomic indicators. For the third successive year, Ghana could not achieve even one of the six (6) Macro-economic Convergence Criteria such as inflation, external reserves, central bank financing, fiscal deficit, tax/GDP ratio and exchange rate stability, Ghana scored zero out of the six and placed us last in the table of nations including the Gambia, Sierra Leone, Liberia, Guinea, and Nigeria.

Cote d'Ivoire next door which has come through a civil war after an electoral dispute has, thanks to disciplined, honest and prudent management, recovered dramatically. Its GDP growth was 8.4% while Inflation was 1.2% in 2015. Cote d'Ivoire is now the largest producer of cashew in the world and

its economy is being transformed dramatically. How can global phenomena skip Cote d'Ivoire and the other surrounding countries and just attack Ghana?

THE 2013 ELECTION PETITION

Another excuse that has recently been proffered by President Mahama for the miserable performance of the economy under his watch is the 2013 Supreme Court election petition which he claims slowed down the economy. The problem with this desperate argument is that it is contradicted by the evidence.

Table 2. Selected Macroeconomic Indicators (2012-2015)

	2012	2013	2014	2015
GDP Growth %	8.0	7.3	4.0	3.9
Inflation %	8.1	13.5	17.0	17.7
Fiscal Deficit/GDP %	12.2	11.7	11.9	6.7*
Debt/GDP %	51.6	57.7	67.1	72
91-day T-Bill Rate %	22.9	18.8	25.8	23
Exchange Rate ¢/\$ bn	1.88	2.2	3.2	3.8
Eurobond rates%		7.875	8.125	10.75
Exports \$ billion	13.54	13.75	13.22	10.36

Table 2 shows that contrary to the claims by the President, except for the fiscal deficit, on virtually every single indicator such as GDP growth, inflation, exchange rate, exports, Eurobond interest rates, debt/GDP ratio, etc. the performance of the economy in 2013 was better than in 2014 and 2015. The President's argument therefore does not hold water and the election petition cannot be blamed. Indeed, the Mahama government had the best Eurobond

rate of 7.875 in 2013 and that shows that investors and the international community had relatively more confidence in the Ghanaian economy in 2013 than the years after; how the 2013 petition is a cause of the failure of the government is as explainable as the dwarfs causing the depreciation of the cedi.

What is even more interesting is that at the time of the Petition hearing, the president told the country that it had no effect on his work.

In December 2013, after a meeting with the Council of State in Aburi, President Mahama stated that his **government will “transit from first to second gear in 2014 after using this year to lay a very solid foundation for the economy”**, So he is telling us that he used the year of the election petition to lay a very solid foundation for the economy and today he wants us to believe that what he said was not true.

In fact, the evidence is that for President Mahama, since he was sworn in after the 2012 election, 2013, the year of the election petition, represents his best economic performance!

INVESTMENT IN INFRASTRUCTURE – THE USE OF RESOURCES

Mr. Chairman, the Mahama government has touted its achievements in the last eight years in its Green Book in the area of infrastructure (Roads, water projects, hospitals, schools, etc.).

The burning question for most Ghanaians is that if this NDC government has increased Ghana’s debt from GHC9.5 billion to GHC 105 billion so far, can

they point to an equivalent value of projects? Unfortunately, and sadly, the answer is no. The government is attempting to hoodwink Ghanaians by claiming a massive increase in infrastructure investment. Why do I say so?

First, If you sum the cost of all the infrastructure expenditure undertaken by this NDC government from loans, grants and taxes between 2009 and 2015 it is less than \$7 billion. Meanwhile, the government has borrowed the equivalent at the time of borrowing of some \$39 billion; so where is the rest of the money?

Indeed, according to the Managing Director of the IMF, most of Ghana's borrowing has been used for consumption and not for investment. The overpricing of contracts, corruption and the absence of value for money considerations are partly responsible for this.

I saw two virtually identical sets of Teachers bungalows in Dambai Teacher Training College this year; one constructed under the NPP in 2007 and the other by the NDC in 2011. These two buildings are side by side. The one constructed by the NPP cost some GH¢195,000 whereas the one constructed by the NDC cost some GH¢ 900,000, 4.6 times more. What accounts for this huge difference?

Another example is a runway rehabilitation alone at Kumasi airport which cost this country \$23.8 million, whereas a proposed airport at Ho is estimated at \$25 million. It is on record that Ethiopia is building its Shire Airport at a cost of \$21 million.

The issue of the Ameri Power Deal is one episode of issues bordering on corruption and the failure to ensure value for money for the people of Ghana. In this deal, Ghana is basically purchasing 10 Gas Power Plants for \$510 million even though the same Plants can be acquired for \$220 million on the market. The government has claimed that the manufacturers of the plant, GE would have provided the plant at a far more expensive price. The situation of overpricing of contracts through the use of sole sourcing as the procurement method of choice is very typical of this John Mahama NDC government.

- An amount of GH¢3.65 million, from oil funds, was used for the re-branding of 116 Metro Mass Rapid Transit buses. Money was earmarked for a supposed Osu railway. Meanwhile, the company that actually did the work of employing Ghanaians to do the branding of the buses says it charged GH¢11,600 as cost for the branding of all the 116 buses.
- Egypt is constructing a 1,800 Megawatt gas power plant at a cost of \$1.3 billion. Abu Dhabi is constructing a 1,600 Megawatt gas power plant at a cost of \$1.5 billion. Together, Ameri and Karpower will cost Ghana over \$2 billion over five years, and yet will give us 505 Megawatts.
- The University of Ghana has acquired a loan facility of US\$217m from the Israeli Government to build a 600-bed teaching hospital at Legon. The cost of building a new 600-bed teaching hospital by the

University of Ghana is \$30m less than the cost of renovating and expanding Ridge Hospital from 200-bed to 420.

Indeed, given the resources at its disposal, one should expect at least four to five times the quantum of investment that the NDC claims to have undertaken. The close to \$33 billion of borrowing that was not used for projects could have, inter alia:

- Solved the water problems in Ghana.
- Solved the energy problem and not put the country through 5 years of Dumsor at the cost of human lives and collapsing businesses and unemployment.
- Put in place at least 1000 kilometres of asphalt road in each region. There would be no major road problem left in any region after this.
- Transformed Agriculture in the Northern regions, Afram Plains and the rest of Ghana through investment in machinery, irrigation and dams.
- Put in place one world class hospital in each region.
- Buy at least 1000 ambulances for the Ghana Ambulance Service.
- Set up factories with the private sector across the country to add value to our raw materials and create jobs create.
- Equip our existing health and education institutions with state of the art facilities.
- Build an additional 600 of the Senior High Schools the government is currently trying to build.

- Construct the Accra-Kumasi-Paga railway as well as the Western Railway line.

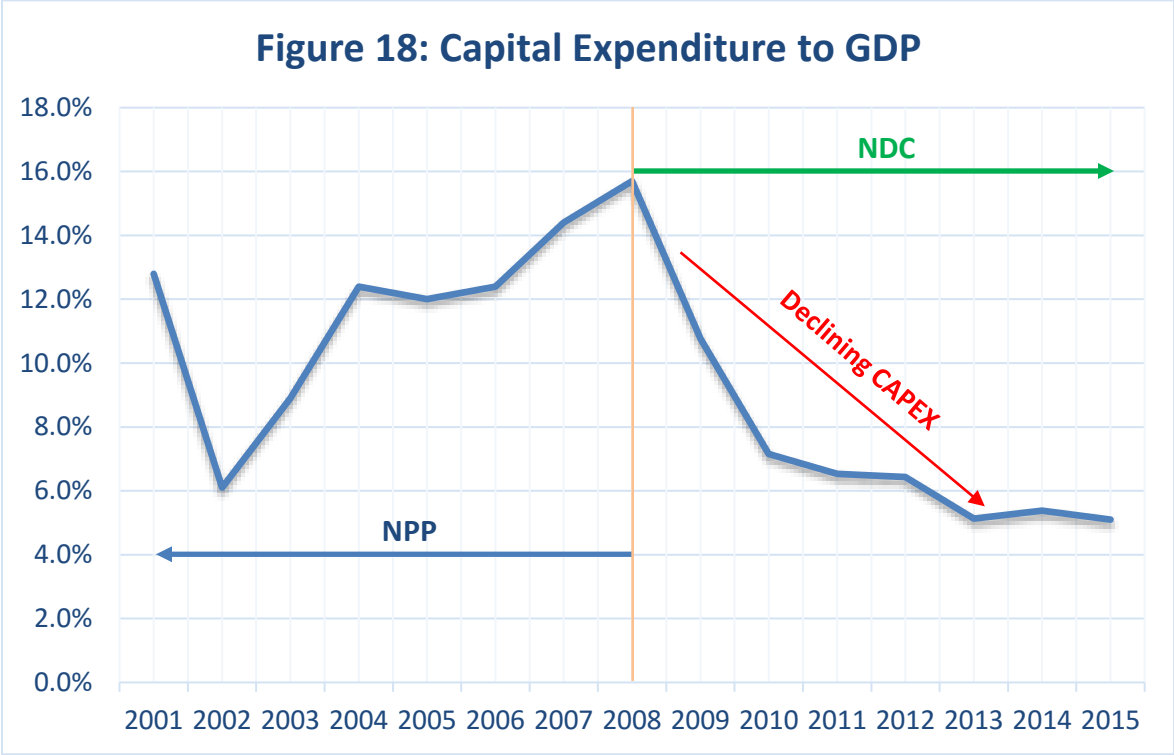
The second reason why I say the NDC is attempting to hoodwink Ghanaians with claims of massive infrastructural investments is that investment in infrastructure has actually been on the decline! Yes, investment in infrastructure in Ghana has actually been on the decline

Investment in infrastructure is key in any economy to maintain and increase economic growth. It enhances productivity. In this regard, it is important to note that we measure investment in an economy relative to GDP and not just in nominal terms. This is a point that is unfortunately lost on this NDC government and their communicators.

To explain this point, if a person tells you they have invested GH¢1000 in the education of their children and another tells you they have invested GH¢2000, you cannot conclude that the second person has invested more in his or her children if you do not compare it against the number of children in the family. If the first person has one child and the second has 10 children, then the investment of the person with one child will be higher (i.e. GH¢1000 per child compared to GH¢200 per child for the second person).

It is in this context that when we measure the impact of investment, we look at it relative to the GDP of a country. If as a country, your investment in infrastructure relative to GDP is declining, then your growth is likely to decline. This background is very important to understand what is happening in Ghana today.

The evidence shows that notwithstanding the massive increase in the debt stock, capital expenditure as a percentage (%) of GDP has actually been on the decline from 9.1% of GDP in 2008 to 3.9% by 2015 (Figure 18). Capital expenditure as a percentage of GDP averaged 11% for 2001-2008 (without oil) while that for 2009-2015 has averaged 5.7% (with oil).



This means that contrary to all the government claims of an increase in infrastructure expenditure on projects all over the country, the reality is that Ghana’s expenditure on infrastructure relative to GDP is declining. The numbers indicate that relative to GDP, this government is investing about half what the previous government invested in infrastructure. It is in fact a travesty that Ghana, with all the revenues earned from oil exports and massive increase in the debt stock, is spending a lesser proportion of its income on infrastructure investment than it did before the discovery of oil.

This decline in investment in infrastructure runs counter to what one would have expected.

The third reason why I say the NDC is attempting to hoodwink Ghanaians with claims of massive infrastructural investments is that most of these projects are over-priced as a result of the single source procurement method, which has become the procurement method of choice for this government, as has been the case with SADA, GYEEDA, KARPOWER, SMARTYYS bus branding etc.

Every project that has its cost inflated means job losses. If the building of a teacher's bungalow in Dambai can cost nearly five times more under NDC than under NPP then it explains why NDC kills jobs. It means four more bungalows could have been built if Akufo-Addo rather than Mahama was the president. It means four times more building workers could have been employed and earned incomes from money that went instead into corrupt practices. It means four more teachers would have been employed and housed in Dambai.

It means over 700,000 Ghana Cedis would have been saved if NPP were in power and that money could have been used to buy medical facilities for health facilities in Dambai and surrounding places; as feeding grants to keep secondary school students in schools and not sent home. Leadership is ultimately about choices. One leader may prefer one village one dam, another may choose one chief one car as his priority.

Mr. Chairman, the fourth reason why I say the NDC is attempting to hoodwink Ghanaians with claims of massive infrastructural investments is that in fact, all governments in the past have done infrastructure projects. Indeed, in terms of projects accomplished relative to resources available, the NPP government of 2001-2008 has a very impressive record.

Indeed, it was His Excellency President Mahama who told us that any government touting infrastructure projects as achievements is engaging in an exercise in mediocrity, so what has changed?

Ladies and Gentlemen, the fifth reason why I say the NDC is attempting to hoodwink Ghanaians with claims of massive infrastructural investments is that infrastructural investment is not supposed to be for its own sake but to increase productivity and production in the economy. The proof of the pudding, as they say, is in the eating. If you have indeed undertaken massive and unprecedented infrastructural investment, then why is the economy in trouble?

The facts therefore show that the impact of the NDC infrastructure investments have not translated into increased output, job creation and better living conditions for the people of Ghana. It is like a man who has been given lots of money and decides to build a big storey building with no roof. Meanwhile his children are hungry, he cannot pay school fees, healthcare, electricity bills etc. and when the children complain he tells them he has laid a good foundation for them!

In contrast, the NPP government of 2001-2008 undertook significant infrastructure investment across the various sectors: education, health, roads, energy, etc. If one listens to the NDC propaganda on infrastructure you may be forgiven for thinking that the NPP did very little in the area of infrastructure. Far from it. The NPP's record on infrastructure under the leadership of President J.A. Kufuor, relative to the resources available, is an enviable one. A sample of NPP projects between 2001 and 2008 is presented below:

WATER PROJECTS (EXAMPLES)

- Cape coast
- Tamale
- Ada/Sege
- Winneba
- Barekese system expansion
- Weija system expansion
- Baafikrom water expansion
- Akwapim. Ridge
- Akim Oda Water
- Koforidua Expansion
- New Tafo Rehabilitation
- Winneba Expansion
- Kwanyaku Expansion
- Bawjiase Water Extension
- Brimsu Dredging

- Sekondi Takoradi Expansion
- Kumasi Expansion
- East-West Accra Interconnection

EDUCATION PROJECTS (EXAMPLES)

- Construction of campuses for university of development studies (UDS) at Nyanpkala, Navrongo, and Wa
- Construction of Bolgatanga Polytechnic
- Construction of Wa Polytechnic
- Established the University of Mines and Technology at Tarkwa
- 38 Teacher training colleges upgraded to diploma awarding institutions with massive infrastructure upgrade and 15 designated as science colleges
- 56 model senior secondary schools started and 31 completed
- 130 classrooms for polytechnics
- 31 lecture Theatre halls built at various university campuses
- Medical school at University of Cape Coast

- 1,334 new JHS blocks
- 1,331 primary schools

HEALTH (EXAMPLES)

Construction and rehabilitation of Hostels, Classroom blocks, offices, and doctors' flats in various Nursing Training Colleges (NTCs), Midwifery Training Schools (MTS), Community Health Nursing Training Schools in places such as:

- Rehabilitation of Sefwi Wiawso hospital
- Construction of 4 hospitals at Juabeso Bia, New Edubiase, Bimbila, Nkwanta,
- 37 Military Hospital was expanded and considerably refurbished
- Construction of College of Physicians and Surgeons
- Introduction of a National Ambulance System
- Secured €54million Dutch grant for upgrade of Tamale Regional Hospital) to Tamale Teaching Hospital
- New district hospitals initiated at Wa, Kumasi South, Manhyia, Konongo Odumasi, Adenta/Madina, Tepa, and Salaga. Polyclinics at Karaga, Kpandai, Tatale, Buipe, Janga and Chereponi

ROADS AND HIGH WAYS (EXAMPLES -2001-2008)

Accra-Yamorasa

Accra-Aflao

Kadjebi-Pepesu

Manso-Asankragwa

Axim Junction- Tarkwa

Abuakwa - Bibiani

Tinga-Bole

Pantang- Mamfe

Kpando-Worawora/Dambai-

Wenchi-Sampa

Tamale- Yendi

Malam interchange

Mallam-Tetteh Quarshie (N1)

Jasikan-Brewenkese

Axim Junction- Tarkwa

Pantang – Mamfe 29.4 km

Tetteh Quarshie Interchange

Ashaiman – Motorway Flyover

Achimota Interchange

Alajo – Avenor

Asafo Interchange

Ofankor – Nsawam (17.6 km)

Apedwa – Bunso (22.0km)

Bunso Anyinam (11.5km)

Anyinam – Konongo (89.1km)

Konongo – Ejisu – Kumasi (44.6km)

ENERGY SECTOR PROJECTS (EXAMPLES)

- Oil Discovered in commercial quantities
- West African Gas Pipeline Project.
- Bui Dam

- June 2007, in response to the energy crisis, a total of 200 megawatts of generation capacity had already been installed through the Emergency Power as well the Mines Reserve Plants of 126 mw and 80 mw capacities respectively

- various other plants which were initiated, designed, negotiated and contracted by the Kufuor government to be installed, and were at various stages of implementation. These include the 126 megawatts VRA Tema Thermal 1 Plant, the 50 megawatts Tema Thermal 2 Plant, the 220 megawatts Kpone Thermal Plant as well as the 126 megawatts Osono Plant.

- the construction of the 132 megawatts Plant at Aboadze called Takoradi 1 Plant was initiated in 2007 as a 220 megawatts plant by the Kufuor government.

- The 220 megawatts Sunon Asogli Plant was completed towards the end of the Kufuor administration,

OTHER PROJECTS

- Golden Jubilee House or Flagstaff House
- World class stadia rehabilitated in Accra and Kumasi
- New stadia built in Essipong (Takoradi) and Tamale
- Jubilee Parks in all regional capitals
- Accra-Tema Commuter Railway line
- Peduase Lodge renovation
- Rehabilitation of Tamale, Kumasi and Takoradi airports
- Rehabilitation and expansion works at the Kotoka International Airport, Tema and Takoradi Harbours
- Kofi Annan Centre of Excellence for IT

A key difference between NPP and NDC however is that the impact of the NPP's infrastructure investment along with structural reforms and prudent economic policies of President J.A. Kufuor was felt positively in the economy with:

- A significant increase in GDP growth from 3.7% to 9.1% without oil
- Reduction in corporate taxes to boost business growth
- A massive improvement in cocoa production

- The National Youth Employment Programme –providing opportunities and jobs for the youth to get a start in the job market
- The School Feeding Programme to provide food to pupils in basic schools
- A Capitation Grant to make education affordable and accessible
- The National Health Insurance Scheme (NHIS) to provide accessible healthcare to the population.
- Free maternal care for all pregnant women under the NHIS.
- Introduction of a Metro Mass Transit transport service for urban areas to provide subsidized transport for commuters and a free bus ride for basic school pupils.
- Introduction of the Livelihood Empowerment Against Poverty (LEAP) programme under which welfare grants are paid to the extreme poor.
- Payment of nursing and teacher training allowances even when the country was HIPC
- Massive expansion in the financial sector
- A fall in lending rates and wide access to credit for the private sector to expand

What this goes to show is that Infrastructure investment alone is not sufficient to drive an economy. You need to manage an economy with competence and keep corruption under check if you are going to make progress.

WE HAVE BUILT A GOOD FOUNDATION AND THE FUTURE WILL BE BRIGHTER

Another argument that President Mahama has been making recently is that the last eight years have been spent building a good foundation despite what he terms as challenges and that the economy is now ready for take-off. Brighter days are just around the corner, especially with the coming on stream of oil production from the TEN and SANKOFA oilfields.

We should note that the “brighter days are just ahead” mantra has been repeated by this government since 2009. Ghana has always had opportunities which make the prospects look bright. The problem, however, is not the prospects but the management of the opportunities to realize those prospects.

When Ghana discovered oil in 2007 there was a lot of euphoria about brighter days ahead. The World Bank, IMF and ratings agencies similarly predicted brighter days ahead for Ghana but after eight years of NDC government, today our economy is in decline, and we are a country at high risk of debt distress depending on the IMF for a bailout. Where did the brighter days go? The fact is that you cannot achieve brighter days with mismanagement, incompetence and corruption.

President Mahama has talked about brighter days ahead every year since 2012. But it is all talk.

What we have been given are dark days with Dumsor, unemployment, high taxes, high utility prices and high cost of living. The opportunity offered by the Jubilee oil discovery has been squandered by poor management, and Ghanaians are now being asked to give the new opportunity offered by the

TEN oil fields to the same President and the same government who mismanaged the opportunity of Jubilee.

An interesting question to ask is what foundation has been laid that is going to bring about the brighter future:

- Is it DUMSOR ?
- Is it the declining real GDP growth?
- Is it the declining agriculture and manufacturing output?
- Is it the high unemployment?
- Is it the high taxes on businesses?
- Is it the high electricity and water tariffs?
- Is it the rising cost of living?
- Is it the massively depreciated exchange rate?
- Is it the increasing financial sector fragility?
- Is it the rising interest rates?
- Is it the massive debt accumulation or leaving Ghana as a country at High Risk of Debt Distress?
- Is it the declining business confidence?
- Is it the declining consumer confidence?
- Is it the high import duties?
- Is it the arrears to contractors and other service providers?
- Is it the erosion of policy credibility of this Government?
- Is it the incompetence in economic management?
- Is it the prospect of civil service retrenchment in 2017?
- Is it the return of cash and carry under NHIS?
- Is it the cancellation of teacher and nursing training allowances?

- Is it the IMF Bailout?
- Is it the downgraded B (with a negative outlook) sovereign credit rating for Ghana?
- Is it SADA, GYEEDA, WOYOME, SMARTYYS, AMERI, EMBRAER, KARPOWER or the Ford expedition from Burkina Faso?

How can President Mahama call this legacy a strong foundation? But haven't we heard about the laying of a strong foundation before?

We should recall that on August 30th 2012, President Mahama stated during his acceptance speech in Sunyani that "The NDC government for the past three and a half years has been laying the foundation for a transformational take off of the country's development"

On December 5th 2012, President Mahama's information Minister stated with regards to the economy that "**we want to invest in jobs and in people, in the economy which is part of the prevailing better Ghana agenda. We have already laid the foundation, we have taken off and we want to soar**"

The NDC 2012 Manifesto states that "**This Manifesto is based on the achievements over the last four years, during which period we established firm foundation for delivering a program of economic recovery and sustained welfare for the people of Ghana**"

So according to President Mahama and the NDC, they had laid a solid foundation between 2008 and 2012 and the country had taken off!

In 2016, President Mahama is again telling us that he has now laid a very solid foundation for the economy and it is ready for takeoff.

So after apparently laying the foundation and taking off by 2012, one year later in 2013 (after taking off), President Mahama tells us he spent 2013 to lay yet another solid foundation. In 2016 he is telling us that he has yet again spent 2014-2016 to lay a solid foundation.

How many foundations is President Mahama going to lay? How can you go back to build a foundation after you have supposedly taken off? They really must think we have very short memories or that we don't read!

The fact is that the worst period of economic performance since 2001 has been under President Mahama's stewardship between 2012 and 2016. The truth is that the foundation was already laid by the Kufuor government. President Mahama has spent the last eight years destroying this foundation; replacing it rather with a weak foundation of straw which he desperately tries to portray it as one of concrete. A mason who inherits a good foundation and spends eight years destroying it cannot be trusted to build the house. We need a competent mason, one with integrity, credibility and vision to build the house.

The economic situation that the John Mahama government has put us into is dire. It requires serious attention. The problems cannot be solved by personal insults, distributing cars, bus branding, or propaganda. The real issues ought to be seriously addressed.

WAY FORWARD

Looking ahead, our goal for the economy is simple: to build the most business-friendly and people-friendly economy in Africa which will create jobs and prosperity for all Ghanaians. To do this, we have to address head-on the economic challenges that confront our economy. These include macroeconomic instability, banking sector fragility, unsustainable debt, unemployment, energy, empowering the private sector, inclusive growth, infrastructure, agricultural productivity, industrialization, high interest rates, exchange rate instability and access to credit.

Our manifesto deals comprehensively with these issues but I will offer a few insights into our policies.

RESTORING MACROECONOMIC STABILITY

The NPP will restore and maintain macroeconomic stability through the pursuit of sound policies in the context of an enhanced institutional framework to underpin macroeconomic stability. Macroeconomic stability is built around three pillars: monetary discipline, fiscal discipline and financial stability. To reinforce monetary discipline, the Bank of Ghana Act (2002) established the Monetary Policy Committee (MPC) to guide the implementation of monetary policy. The other two pillars (fiscal discipline and financial stability) have no such institutional anchors.

Enhancing Fiscal Discipline

1. Fiscal indiscipline has been the bane of economic management in Ghana. To address this, the International Monetary Fund recently insisted on the passage of a Public Financial Management Act. However, this law is woefully inadequate because it lacks the key elements that will protect the public purse from abuse. Fiscal Policy implementation as it stands now in Ghana lacks three basic elements; absence of a transparent framework or Institutional arrangements for providing quality fiscal information to the public, absence of an accountability mechanism that ensures that officialdom is held accountable in implementing optimal fiscal policies to guarantee the stability of the system and the absence of a well set-up institution to ensure the credibility of fiscal projections provided by the Government.

To address the problem of the current high public debt levels and the risk of the country relapsing into a high risk category, an NPP government will adopt and implement rules to anchor fiscal policy implementation. For example, there will be specific targets for the reduction of government borrowing and debt.

In this regard, an NPP government will pass a Fiscal Responsibility Law (FRL) to bring comprehensiveness, accountability, transparency and stability to the entire budgeting process. In this context, a Fiscal Council would be set up with appropriate legal backing to contribute to the Accountability of Government, responsible for setting set up medium-term fiscal policy anchors to guide fiscal policy as well as provide monitoring.

ENHANCING FINANCIAL STABILITY

2. In this year's State of the Nation Address, President John Mahama attributed the problems emanating from the collapse of microfinance institutions like DKM and God is Love to a failure of banking supervision. From what we know today, this is only the tip of the iceberg. At least 8 banks in Ghana are on the verge of collapse if something is not done urgently. The financial stability pillar of the macroeconomic framework has been weakened under this government. To address this over the long term, the NPP will establish a Financial Stability Council (akin to the proposed Fiscal Council) that is well grounded in law, its mandate, among others, will include assessing the vulnerabilities affecting the financial system and identify and oversee actions needed to address the.

In addition, the NPP will:

3. Undertake financial sector reform to deepen financial markets, promote financial inclusion, enhance the supervision and regulation of the financial institutions and move Ghana's payment system away from a predominantly cash to an electronic payments based economy.
4. Implement a strategy aimed at repositioning Ghana as an International Financial Services Centre (IFSC) like Mauritius within the sub-region to create jobs.
5. Formalize the economy through the establishment of a national database, using the National Identification System as the primary

identifier, with linkages to the databases of institutions such as the Police, NHIS, Passport Office, Immigration, Courts, Ghana Revenue Authority, and DVLA.

6. Stabilize the currency exchange rate for the long term through prudent and disciplined macroeconomic management, an increase in domestic production, and an increase in exports. In addition, there would be a reinforcement of Section 40 of the Bank of Ghana Act (2002) by keeping relatively stable, the ratio between the currency in circulation and foreign exchange cover.

JOB CREATION

The key to job creation in our present circumstances has to be a change in government to allow for a more competent management of the economy. In the area of economic management, the NPP will assemble a team of experts with diverse skills to implement our economic plan. The first transformation Ghanaians will witness is the transformation from incompetence under John Mahama's NDC to competence under the NPP with Nana Akufo-Addo.

To address the issue of unemployment, the NPP will implement a number of policy reforms. These include:

7. SHIFTING THE FOCUS OF ECONOMIC MANAGEMENT FROM TAXATION TO PRODUCTION

The mismanagement of the economy under this John Mahama government has resulted in an increase in taxes on virtually everything taxable. This has

increased the burden on the private sector and is a disincentive for production. High taxes also increase the cost of living for Ghanaians. Many of the taxes that have been imposed are “nuisance taxes” whose yield is quite low but whose burden on businesses and individuals is high.

To address these challenges, the NPP will shift the focus of economic policy away from taxation to production by inter alia:

- A reduction in the corporate tax rate from 25% to 20%
- Removing import duties on raw materials and machinery for production within the context of the ECOWAS Common External Tariff (CET) Protocol.
- Eliminating the Special Import Levy
- Abolishing the 17.5% VAT on imported medicines not produced in Ghana.
- Abolishing the 17.5% VAT on Financial Services
- Abolishing the 17.5% VAT on Real Estate sales.
- Abolishing the 17.5% VAT on domestic airline tickets.
- Reducing VAT for micro and small enterprises from the current 17.5% to the 3% Flat Rate VAT introduced by the NPP

The ensuing increase in production and economic growth arising from a streamlining as well as the elimination of some of these taxes will more than compensate for any interim revenue shortfall. Growth is expected to increase to double digits by 2018. Indeed, during the NPP tenure between 2001 and 2008, corporate taxes were slashed from 32% to 25% and tax revenue actually increased! The data shows that notwithstanding (or because of) the

high level of taxes, there is a revenue shortfall of GH¢700 million for the first half of 2016

Additional sources of higher revenue or fiscal space to finance these tax reductions will include:

- Broadening of the tax base as a result of formalization of the economy
- Increased tax compliance
- Reduced government expenditure as a result of increased collaboration with the private sector and prioritization of government expenditure.
- Reduction in interest rates paid on Ghana's debt stock
- Increase in oil and gas revenues from TEN and SANKOFA fields
- Elimination of corruption especially in procurement of goods and services which is estimated at some 1.5% of GDP annually.
- The Auditor General's Report has indicated that between 2012 and 2014, GH¢5.9 billion of government funds cannot be accounted for.

Collectively, these measures will more than exceed any revenue shortfall from the reduction in taxes.

7. Empowering Local Businesses

The NPP believes in empowering the Ghanaian private sector. We will pass legislation to require that at least 70% of all taxpayer-financed contracts and procurements be executed by local corporate entities.

In addition, the NPP will introduce a policy requiring that at least 30% of the required 70%, as far as possible, be sourced from entities owned by youth, women and people living with disabilities.

8. INFRASTRUCTURE FOR POVERTY ERADICATION PROGRAMME (IPEP)

Furthermore, the NPP will use the resources of the country to build an inclusive economy where every village, constituency or district has access to a minimum set of basic amenities and opportunities.

The NPP will reorient the national capital expenditure budget to place a focus on constituency-specific needs. In this vein, an amount equivalent to \$275 million will be reallocated, under the IPEP. This is a bold project aimed at providing “Local Solutions to Local Problems” using the capital expenditure budget.

Every constituency in Ghana can on average expect to be allocated the equivalent of \$1 million annually in resources for capital expenditure to upgrade and improve infrastructure such as water, toilets, dams, ICT centers, etc., or to develop new facilities in rural and deprived communities. Our “one village one dam” initiative in the three northern regions for example will be funded under this program. In the first two years of an NPP administration there should be no village or community in Ghana that would have no access to water or toilets for example.

It is important to note that this programme is not going to require new money. Rather, we are going to allocate our existing money towards our key priority: the eradication of poverty. This program will also not rely on donor funding.

The Programme will be administered by the respective Development Authorities – the Northern Development Authority, to be responsible for constituencies in Northern Ghana; the Coastal Development Authority, to be responsible for Constituencies along the Coast and the Middle Belt Development Authority, to be responsible for Constituencies in the Middle Belt of Ghana. All these Authorities will report directly to the office of the President.

Other policy initiatives that would be introduced by the NPP include:

9. Establishing an Office of the Special Prosecutor, who will be independent of the Executive, to investigate and prosecute certain categories of cases and allegations of corruption and other criminal wrongdoing, including those involving alleged violations of the Public Procurement Act and cases implicating political officeholders and politicians.
10. Establishing an Industrial Development Fund (IDF) to finance critical private sector industrial initiatives. The fund will be seeded, and fed by both public and private sector investors and funds.
11. Facilitating access to dedicated land spaces in every Region for the establishment of multi- purpose industrial parks, sector specific enclaves, and enterprise free zones.
12. Providing a comprehensive programme of support for the production of selected agricultural products as raw materials for agro-processing (Tomato, Cassava, Cocoa, Maize, Oil Palm, Cashew, Cotton, Selected Fruits, Groundnuts, and Rice etc).

13. Benchmarking our ports against the most efficient ports in the world such as Dubai and Singapore and introduce world class port clearing systems to support import and export trade.
14. “One District One Factory Initiative”: In collaboration with the private sector, the NPP will implement the “One District, One Factory Initiative. This District Industrialization Programme will ensure an even, spatial spread of industries.
15. Strategic Anchor Initiatives: Government will partner private local and foreign investors to develop large scale strategic anchor industries to serve as growth poles for the economy - Petrochemical, Iron and Steel, Cement, Aluminum, Salt, Vehicle Assembly, Manufacturing of Machinery, Equipment and Machine Parts, Agro-processing, Garments and textiles, Assembly of electronics, light machinery etc.

In the energy sector, among other policies:
 16. We will end “DUMSOR” in the short-term through government liquidity injection, restructuring of debts, and securing of firm commitments for the reliable supply of fuel.
 17. We will develop and implement a 10-year Power Sector Master Plan to meet our medium to long-term energy needs.
 18. We will increase the proportion of renewable energy - solar, biomass, mini-hydro, wind and waste-to-energy in the national generation mix.
 19. We will rapidly move to the adoption of a distributed solar energy solution for all government and public buildings.

20. We will create an environment of clear policies, rules and regulations, and provide adequate incentives to attract private sector investments.
21. We will restructure the power sector by bringing all hydro generation exclusively under VRA and create a separate thermal market.
Other policies include:
22. Overseeing the direct election of Metropolitan, Municipal and District Chief Executives (MMDCEs).
23. Restoration of teacher trainee and nursing trainee allowances in full.

These, along with other policy initiatives that will be introduced in our manifesto in sectors such as education, health, energy, agriculture, governance, tourism, and public accountability will make Ghana work again, not for a few, but for all.

Ladies and Gentlemen, Fellow Ghanaians, In conclusion:

Ghana once again has a date with destiny and the decision we make will determine whether our lives become better or worse; the decision to a large extent will determine whether we or our children and youth find decent well-paying jobs or if the current joblessness prevalent continues or even gets worse; the decision we make will determine how fast we are able to catch up

and compete in the current global space or if we will continue to lag behind and become the African dream that never was. Will our businesses grow and expand and become global world beaters? Will our resources be used for our collective development and welfare? Will Ghana begin tackling the very basic issues that confront our people? All these questions will be dependent on the choice we make.

You have listened, be the judge – if Ghana was a company and you were a shareholder, will you retain the manager or the team that has such an abysmal record or will you try and appoint a credible, incorruptible and competent team with a track record to manage the company and move the company forward?

Fellow Ghanaians, It is time for change. Let us save mother Ghana and move it forward together!!!

Thank you for your attention.

GOD BLESS YOU and

GOD BLESS OUR HOMELAND GHANA