THIRD NATIONAL CIVIL SOCIETY FORUM ON GHANA'S IMF PROGRAMME

FORUM COMMUNIQUÉ

THEME: "A YEAR ON, WHAT ARE THE GAINS AND SHORTFALLS OF THE IMF SUPPORTED EXTENDED CREDIT FACILITY ARRANGEMENT ON THE GHANAIAN ECONOMY?"

CIVIL SOCIETY PLATFORM ON GHANA'S IMF PROGRAMME
FIESTA ROYALE HOTEL, ACCRA
MARCH 29, 2016

FORUM COMMUNIQUÉ

On Tuesday March 29 2016, the Civil Society Platform on Ghana's IMF Programme with support from Oxfam organized the Third National Civil Society Forum On Ghana's IMF Programme, on the theme ***"A year on, What are the Gains and Shortfalls of the IMF Supported Extended Credit Facility Arrangement on the Ghanaian Economy?"*** at the Fiesta Royale hotel, Accra. The speakers and forum delegates shared research, analysis, on-the ground experience, viewpoints and ideas for policy consideration to enhance effective roll-out of the Fund programme.

The forum brought together 60 participants from Civil Society, Professional Associations, Government Agencies, Traditional Rulers, Political Parties, Media, Academia and other identifiable groups in Ghana. Most Rev. Prof. Emmanuel Asante, Chairperson of the National Peace Council chaired the forum while Ms. Natalia Koliadina, IMF Resident Representative delivered the keynote address. Prof. Godfred Bokpin, Head of Finance Department-University of Ghana Business School presented the main forum paper that reviewed the IMF Programme one year after implementation.

The Chairman of the Civil Society Platform on Ghana's IMF Programme, Mr. Joseph Winful in his welcome address noted that good governance and democracy for that matter goes beyond human rights, and voting during elections to include prudent economic management, accountability and transparency. He called on citizens at all levels and the political leadership to do the right things to turn the country's fortunes around. Noting that Ghanaians should not stay aloof but speak out, share ideas and engage government.

The key, overarching themes that emerged across the Forum discussions are:

PROGRAMME PERFORMANCE

1. Fiscal consolidation appears to be on track with reduction in the primary and fiscal deficits from 3.4% to 0.2% and 10% to 7% respectively likewise developments in the current account from 9.6% to 8.2% over 2014-2015.
2. Inflationary pressures have heightened from 17% to 17.7% over 2014-2015. The programme has done very little to reverse the trend.
3. The rising public debt and high servicing costs remain a challenge as debt levels reached 73% of GDP in 2015 above the 70% of GDP recorded in 2014. The debt sustainability analyses by the IMF/World bank have flagged the debt service to revenue ratio to be unsustainable over the medium to long term.
4. There seem to be some divergence in both the monetary policy rate and 91-day Treasury bill rate (the former on the rise while the latter on the decline).
5. The Ghanaian economy has seen very little growth since 2014. The real sectors of the economy slumped; Agriculture declined to 0.04 percent in 2015 from a growth of 4.6 in 2014 on account of a -1.7% decline in the Crops sub-sector from the 5.7% growth recorded in 2014. Mining and Quarrying, and Manufacturing sub-sectors declined substantially from 3.2% to -3.8% and -0.8%

to -2.0% respectively over 2014-2015. Although, Industry sector as a whole grew at 9.1% in 2015 from about 0.8% in 2014 due mainly to growth in the Construction sub-sector. The aforementioned highlight the challenges in the real sectors of the economy which require attention.

6. Participants observed the rather slow pace of structural reforms (most of which have been partially completed or in some cases not met). This needs to be improved upon in the second year of the programme.
7. Some developments in the economy suggest the improved fiscal position may have excluded some costs; for instance, in spite of the net freeze on public sector hiring, some government agencies and institutions are hiring new staff and catering for them with internally generated funds (IGFs) and will request government to settle the accrued costs in 2018 when the hold is off. This among others may well suggest the wage bill and fiscal deficits for that matter could in fact be a little higher and possibly heighten beyond 2017.

RECOMMENDATIONS FOR PROGRAMME'S SECOND YEAR

Macroeconomic Stability

1. Participants noted macroeconomic stability is not an end in itself but a means to an end. Hence the need to safe-guard and improve on the gains made and put in measures to deal with inflationary pressures, divergence of the monetary policy rate and treasury bill rates, exchange rate volatilities, rising public debt.
2. Government must put in measures to grow the economy particularly the productive/real sectors (agriculture and manufacturing which have been on the decline). The country literally imports everything and exports very little. This huge import dependency obviously feeds into the exchange rate vulnerabilities.
3. Participants therefore request the Fund to demand from government specific policy measures to revive the productive sectors of the economy in the short-medium term. Participants noted that the establishment of an EXIM bank is certainly not the only way out going forward.

Fiscal Transparency Evaluation

4. Participants indicated the need for strengthening fiscal surveillance to enhance effective fiscal management, policy-making and accountability. It is imperative for government to have an accurate picture of its finances when making economic decisions; costs and benefits associated with policy changes as well as possible risks to public finances. The IMF and government should conduct a **Fiscal Transparency Evaluation** in the second year of the programme in this regard.

Risk of Election Year Slippages

5. Participants fear recurrence of election year slippages regardless of assurances by government just like in 2012. Participants agreed there is need for this risk to be managed and impressed on government to put the interest of the nation over political expediency.
6. Participants further called on the IMF to help keep the tabs on government by not releasing the fourth tranche of funds due on October 15, 2016 based on observance of the June 30, 2016 performance criteria should there be significant deviations in the fiscal outturn figures.

7. Per the Fund programme, government agreed to submit fiscal and financial data to the IMF periodically and this would be a useful check.
8. Participants called on the IMF to be firm on government should there be noteworthy breaches.

Fast track Structural Reforms

9. Government should fast track the implementation of the structural reforms.
10. The slow pace of key structural reforms is cause for concern. For instance, the new PFM legislation due last December but has now been reviewed to March 2016 for Cabinet approval before submission to Parliament mid-year and possible passage by end of year is worrying. Participants feared the risk of the new draft PFM legislation not being passed this year. The structural reforms participants observed would correct some of the structural defects in the economy. The second year of the programme should see improvements in this regard.

New PFM Legislation

11. The IMF had given earlier assurances the new draft PFM legislation will have elements of fiscal responsibility and a sanctions regime. But there was silence on the sanctions regime in Government's Memorandum of Economic and Financial Policies (MEFP 52) for 2016 likewise the new Bank of Ghana Act.
12. Participants concurred that absence of a sanctions regime for officers who oversee violations of provisions therein in the proposed legislations will not be deterrent enough to exact compliance.
13. Besides, government should open up spaces for broader consultations on the draft PFM bill to include CSOs and professional bodies in order to enrich the new law.
14. The improved disclosure of fiscal data by the Ministry of Finance i.e. publication of fiscal outturn figures and other administrative accountability measures enjoined under the programme should be codified in the new PFM legislation to prevent possible reversal beyond the programme in 2018.

New Bank of Ghana Act

15. Participants agreed the Programme's efforts to strengthen the functional autonomy of the Central Bank will be seriously undermined if the appointment of the Governor of the Bank of Ghana is done by the President per the existing Bank of Ghana Act. Participants propose that the New Bank of Ghana Act should open-up the appointment of the Governor and his deputies to a competitive process where interested candidates would apply and be vetted publicly. The suitable candidates should be selected on merit devoid of partisanship like is done with the African Development Bank.

Debt Management

16. The country's current debt to GDP ratio and high servicing costs limit borrowing space and in fact constrain further debt build up. Hence government should ensure that the limited borrowing space is judiciously utilized by channeling new debt to projects which are purely viable and able to generate cash flow to retard the debt. Capital budgeting decisions should precede financing decisions.

17. The government should conduct a public debt-stock analysis that reveals how borrowed funds were used in the past to identify which part of the debt were invested in self-financing projects and social projects to ascertain the net debt burden on the public. Also, we should be able to assess the value for money in all these projects. Our past should guide the future.
18. Government should seek to service the country's debt by growing the economy at a faster rate relative to the rate at which loans are being contracted.
19. Reduction in budget deficits is a sure way to reduce domestic borrowing because the deficits reflect the borrowing requirements of government. This is necessary to free up funds for the private sector and also bring down domestic interest rates.

Right to Information Bill

20. Participants noted the Ghanaian Parliament takes too much time in passing important bills to law. The passage of the Right to Information bill has unduly delayed and there is need to fast track its passage to law before end of year in order for citizens to have this critical legislation to demand accountability from public officials for the use of public resources.

OTHER CONCERNS RAISED:

Enhance Revenue Mobilization

1. Participants bemoaned the very limited fiscal space (44% of tax revenues expended on public sector wages and salaries, 37.6% on debt service). The remaining 18.4% of tax revenues cannot suffice vital infrastructural projects needed to transform the economy. Hence the urgent need for government to be efficient in the use of public funds, check waste and ensure value for money of all government outlays in the run-up to the general elections and beyond.
2. Participants wondered why government and the Ghana Revenue Authority for that matter cannot employ innovative strategies to widen the tax base. For instance, there is enormous demand for the Ghanaian passport on daily basis, that you have citizens across the country queue in the sun to renew or obtain a passport. Besides, most people pay middlemen huge sums of money that go into private pockets to avoid the bureaucracy that comes with it. Government should take advantage of the revenue opportunities with the huge passport demand by using ICT to streamline the process. There are best practices Ghana can learn from, same applies with the issuance of driver's license which is putting money meant for the state into private pockets too. The time and money costs involved in obtaining this documents require urgent attention and redress.
3. Instead of the IMF pushing for tax increases, the IMF and Government should consider the great potential in the area of direct taxes (specifically property taxation as well as from mining companies) which have been grossly under-explored to broaden the tax base.
4. For a country where our tax effort is very low (about 17 percent relative to the about 25 percent for lower middle income countries), the Ghana Revenue Authority (GRA) cannot be taken seriously if revenue targets are often exceeded by 15 to 20 percent even with the many inherent leakages in our tax system. Hence the GRA and Ministry of Finance will have to re-examine its revenue forecasting regime based on empirical studies to reflect the economic status of the economy.

5. The Ghana Cocoa Board should address the declining output levels in the Cocoa sub-sector by dealing with the challenges with inadequate extension services, insufficient and irregular supply of agro-chemicals and the smuggling of Cocoa to neighbouring countries due to price differentials as well as provision of incentives to farmers on the ground to boost the country's export earnings.

Expenditure Rationalization

6. The Programme-Based Budgeting approach should be thoroughly integrated in the country's budgeting process where expenditure items included in the budget should align with programme objectives and there should be justification for every expenditure item in addition to well defined measurable deliverables to ensure value for money.

Payroll

7. The government should fast track the process to wean off subvented agencies that are able to generate enough Internally Generated Funds (IGFs) to sustain their operations.
8. There are still more "ghosts" on the payroll in spite of the progress made and efforts would have to be intensified to clean-up the payroll.

Civil Service

9. The government should link productivity with pay in the civil service and also introduce fixed-term working contracts to both middle and high level civil service workers to promote performance management.

Natural Resource

10. Improve transparency in the mineral and petroleum contracting process.
11. The need for government to independently determine the exact volumes of oil that is drilled at the country's oil fields by installing fiscal metering devices on drilling machines at the fields.
12. Government should take the initiative to establish a minerals' laboratory to ascertain the value and worth of the country's mineral products. The country may not be getting value for money by going all the way to South Africa to have this done.

Continued Protection of Social Spending

13. Government will have to ensure timely releases of funds to social protection allocations as some delays were observed over the last year.
14. The Civil Society Platform should be partnered by the Fund/World Bank to independently monitor the social protection schemes to ensure that persons who actually need these support are the ones benefitting on the ground.

Electricity Supply

15. Participants noted the energy sector performed poorly in 2015 due to electricity supply shortages, attributed to defective planning in the power sector. There are delays in planning and implementation in the power sector and participants urged government to improve upon these challenges to ensure stable and uninterrupted electricity supply.

Dialogue Spaces with Government, IMF, World Bank, Civil Society, etc.

16. Participants agreed the forum was useful and there was need for more regular open engagements between key stakeholders; Government, IMF, World Bank and Civil Society on the Fund Programme to shape policy devoid of partisanship for the ultimate good of Ghana.

Comprehensive After-IMF Programme Plan

17. Participants agreed the need for the IMF to request an after Programme Comprehensive Plan from Government beyond the Programme in 2017 to ensure the gains made are not reversed.

ADOPTED THIS 29TH DAY OF MARCH 2016, FIESTA ROYALE HOTEL, ACCRA