

## **PRESS STATEMENT**

### **THE GENERAL ECONOMIC SITUATION IN GHANA**

In July 2013, the Trades Union Congress (TUC) issued a statement on the state of the Ghanaian economy. In that statement we raised serious concerns about the health of the economy and its implications for the working people of Ghana and their families. We expressed grave concern about the nature of economic policies and the quality of economic management. This followed an earlier statement, issued in June 2012, calling attention to the rapid depreciation of the Ghana cedi against the major international currencies.

Since 2005, the TUC and other civil society organizations have made annual submissions on economic and social policies for the consideration of the Minister of Finance in the Annual Budget Statement and Economic Policy of Ghana. In these submissions, we have offered some recommendations on what we think are the solutions to the socio-economic challenges Ghana is facing. At the heart of all our submissions has been a call for a national dialogue and consensus building on the nature of economic policy and economic management that can create employment and reduce poverty which has afflicted millions of Ghanaians.

Sadly, the managers of our national economy have chosen to ignore the advice of the TUC and many other brilliant suggestions that have been put forward by other civil society organizations. Instead, those in charge of our economy have chosen to rely on the economic policy advice of ‘experts’ at the International Monetary Fund (IMF) and the World Bank. Therefore, in the last three decades, our economic policy have been heavily neo-liberal in character - privatization of strategic national assets, unbridled liberalization of international trade, and the ruthless deployment of market forces as evidenced by the removal of subsidies on utilities and fuel. These bad economic policy

choices have been exacerbated by pervasive corruption, cronyism, incompetence, and extreme partisanship.

The chickens have now come to roost. After religiously sticking to this economic management philosophy for over thirty odd years, the jury is still out there. Views are converging that the economy is failing or has failed and times are really hard for ordinary citizens. The economic indicators, as robust as we are told they are, have failed to make any significant impact in the lives of Ghanaians. Good jobs are disappearing faster than they are being created even as the economy registers what is claimed to be ‘impressive’ growth rates. Incomes are falling in real terms for most Ghanaians as inflation rises. The trade deficit has been growing at an alarming rate as imports saturate our markets and stores and as we continue to export our natural resources in their raw form. The national debt has ballooned and continues to soar. The cedi has now found itself in the slaughterhouse having fallen in value against all the major international currencies. And it continues to fall.

Out of desperation Government has now resorted to increases in VAT which is well-known to be regressive form of taxation. Road tolls have gone up by more than a thousand percent in the last five years. And more roads are being tolled even as our road network deteriorates. At the beginning of this year, nearly all government charges and fees have been increased. There is now a 17.5 percent VAT on bank transactions and utility consumption. Fuel subsidies have been abolished; government is fully taxing fuel products now. Government has abolished the payment of allowances to Teacher and Nursing Trainees at the time Ghana need more teachers and health professionals to take care of 25 million Ghanaians. Public services are deteriorating. Many schools are operating at the margins because government bursaries are in arrears. Hospitals are stretched to their limits. Private hospitals may soon have to close down because of the huge indebtedness of the National Health Insurance (NHIS).

All this have occurred in the context of additional resources from the commercial production of oil, which has added about half a billion Dollars annually to the national purse since 2011. But as we noted in our July 2013 statement, we are gravely “concerned that government and its agencies are not efficiently managing the oil resources for the benefits of Ghanaians. For instance, in 2012, an amount of GH¢ 232,403,269 out of the oil revenues was committed to road infrastructure. But we are yet to be told exactly which roads the funds were applied. Again, in 2012 while an amount of GH¢72,471,824 (14%) was committed to agricultural modernization we used GH¢111,959,738 for so-called capacity building. In its 2012 annual report, the Public Interest and Accountability Committee (PIAC), the committee charged with monitoring compliance with the Petroleum Revenue Management Act, called on government to indicate how the funding for capacity building was utilized.

We still hold the view that the economic and social challenges that we face as a country are rooted in the nature of economic policies and the manner in which we have chosen to conduct national affairs. The economic woes we are facing can be attributed to the hands-off neoliberal economic policies and failure on the part of the leadership to do the right things for the country.

The policy of unbridled trade liberalization or more appropriately import liberalization has compelled us, as a nation, to live virtually on imports. We import practically everything as the manufacturing sector gradually, but surely, grinds to a halt. Our increasing appetite for imports means that our demand for foreign currency particularly the US Dollar is growing exponentially. More than two-thirds of our exports revenues are generated from Gold, Cocoa, Oil and Timber. And we continue to export these in their raw forms earning very little. Policymakers have failed to address the monumental challenges that confront domestic industry compelling many exporters to convert their factories into warehouses as they join the lucrative import trade.

The problem has been compounded by the over-liberalization of our external payment system allowing for transfer of foreign currency of any amounts out of the country by foreign companies operating in Ghana. The legal limits on transfers out of the country are rarely enforced. There are reports of people and companies transferring millions of Dollars in sacks through our porous borders. In 2012, the Bank of Ghana reportedly sunk about a billion dollars into the economy in an effort to halt the depreciation of the Cedi (Business & Financial Times, 11th April 2012). But this failed to stem the slide of the cedi.

Foreign-owned companies, particularly those in the services sector such as the Telecoms, dealing in non-tradables and generating so much cedi-denominated revenues are a major part of the constant pressure on the Ghana Cedi. These companies hardly bring in any foreign currency beyond their initial capital investments. At the same time we place our reserves, built through the sweat of our cocoa farmers and the borrowings from the IMF (with all the conditionalities), at their disposal. As the Bank of Ghana injects more Dollars into the economy, these companies quickly buy them for onward transfer out of the country. Their shareholders in South Africa, United Kingdom, United States and elsewhere receive their dividends not in Cedis but in Dollars and Pounds. The US\$20 million that the Bank of Ghana says it has injected into the economy is roughly equivalent to what one telecom company will have to transfer out of the country in a month.

The TUC shares the view that the dollarization of the economy is partly to blame for the current messy situation. But Government itself is most guilty on this. We are in a country where custom duties charged by government are dollar-indexed. State agencies, like the Tema Development Corporation (TDC), sell land at Dollar-indexed prices. The Ghana Institute of Management and Public Administration (GIMPA), along with other public educational institutions, have indexed their fees to the US Dollar. In such an environment, one can only expect rational economic actors to procure dollars ahead of time

to shield themselves from exchange rate losses. Yet, Government turns round to blame innocent Ghanaians for dollarizing the economy.

With the value of the Cedi declining on a daily basis, the domestic prices of imports keep rising and this has adverse implications for the living conditions of workers whose salaries are fixed throughout the year. And it is not just imported items that experience price increases. Landlords adjust their rents to be able to cope. Lorry fares continue their upward trend. In general, Ghanaians are facing difficult times as nearly all prices are going up. Government functionaries are in the state of denial and are descending heavily and crudely on people who echo the general sentiments of Ghanaians. This may be understandable given that such functionaries live on state resources and they do not have to worry about soaring prices. But the truth of the matter is that the rest of Ghanaians are facing severe social and economic hardships. And it is important that Government and its functionaries wake up to the realities and do something about the plight of Ghanaians.

The TUC admits that there are no easy solutions to the current situation. The country requires immediate short-term remedial measures to ameliorate the plight of Ghanaians. First, it is important that government rolls back some of the many taxes it has imposed on the people including the downward review of charges and fees. Second, government must consider re-introducing subsidies on utilities and fuel because the rate at which government is raising fuel prices and utilities is neither sustainable nor socially desirable for the country. Third, government must check and rid itself of corruption and corrupt elements to ensure that government services and programmes reach their intended beneficiaries in a timely manner.

In the long-term, a radical overhaul of economic and social policy is warranted. First, there is need to strengthen the state and its agencies to allow for effective conduct of government and state policies and programmes. This means that

while market forces are recognized as important in mediating economic exchanges, the state represented by efficient government institutions must retain the right and possibilities to intervene in a strategic way to achieve national objectives. Second, economic policies must emphasize the centrality of adding value to natural resources and being able, as a country, to produce some of the basic necessities of life. We cannot make any headway in reducing poverty and improving living conditions by living on imports. We need policies and programmes that reward domestic production and penalizes imports. Third, Ghana must offer unalloyed support to Ghanaian businesses. State power must be leveraged to promote domestic industry. The fruitless attempt to destroy businesses perceived to be politically unfriendly must end. Fourth, a review of our capital accounts and external payment system is necessary. Ghana cannot afford to continue to allow foreigners and foreign-owned companies to transfer any amount of foreign currency out of the country. The Americans and the Chinese with all their economic might do not allow that. Finally, government must initiate a national dialogue on the economy to tap into the best brains and ideas on the way forward for our country, Ghana.

Given the hardship facing the working people of Ghana it is unthinkable that Government can even contemplate wage freeze in the public sector. We expect Government to convene a meeting of the National Tripartite Committee to discuss our proposal for upward adjustment of the National Daily Minimum Wage without further delay. Once the consultation on the National Minimum Wage is concluded the negotiation for the review of the Base Pay and relativity on the Single Spine Salary Structure will commence. A significant upward adjustment of wages is required to cushion workers from the economic current economic hardship. Workers of Ghana have been stretched to the limit. We cannot contain any further burden imposed on workers due to economic mismanagement.

**SIGNED**

**KOFI ASAMOAH**

**SECRETARY-GENERAL**

**ACCRA, 5<sup>TH</sup> FEBRUARY 2014**