



MINORITY CAUCUS

Parliament House - Accra (Ghana)



In case of reply, the number and date of this letter should be quoted.

Contact:

Telephone: +233 302 633 030

Fax: +233 302 664 530

Our Ref:.....

Your Ref:.....

Date: 18/09/2023.....

SHOULD CITIZENS STAND WITH THE BANK OF GHANA GOVERNOR WHO HAS AIDED THE GOVERNMENT'S ECONOMIC MANAGEMENT TEAM TO DESTROY LIVELIHOODS? THE POSITION OF THE MINORITY IN PARLIAMENT

In a recent statement intended to justify the gross incompetence and misgovernance of the leadership of the Bank of Ghana, the Minister of Finance, Ken Ofori-Atta sought to "speak for" the Bank of Ghana but ended up worsening the case of the central bank and deepening its credibility crisis. Ordinarily, the beguiled statement by the Minister should be disregarded entirely and treated with the contempt it deserves. However, there is the need to correct some of the key misconceptions peddled and to fact-check the assertions made by the Minister in the statement.

1. From the second paragraph, the Minister erroneously used nominal figures to argue that the Bank of Ghana had grown its assets phenomenally between 2016 and 2022. If the Minister describes a 2.4-fold increase from GHS53 billion in 2016 to GHS125.97 billion in 2022 as phenomenal, how would he describe the increase in Bank of Ghana's assets by 8.2-fold during the period of the NDC government (2009-2016) when the same assets grew from GHS6.45 billion as at end-2008 to GHS53 billion as at end-2016?
2. What is even worse is that the increase in assets between 2016 and 2022 were largely driven by the illegal monetary financing of government; in other words, illegal lending to government. This excessive printing and lending of money to government is the cause of the economic woes the country is currently facing (high inflation, volatility in the exchange rate, and high interest rates) as confirmed by the IMF and the World Bank.
3. In the third paragraph, the Minister again used nominal GDP figures to argue that the size of GDP had more than doubled in value from GHS219.6 billion in 2016 to GHS610.2 billion in 2022, without adjusting for the impact of inflation within the same period. The Minister must realize that nominal values will always rise, hence the right thing to do is to express these in real terms.
4. On the watch of this Minister, real GDP growth slowed between 2018 and 2020 and only recovered slightly in 2021 due mainly to revenues from the three oil fields they inherited as well as the massive covid-19 revenue inflows, and not due to any special expertise of the Minister. Again, the Minister's management of the economy worsened in 2022 and it is projected to further deteriorate at the end of 2023 with growth projection of 1.5%.

5. In the same paragraph, the Minister also touted doubling revenues since 2016, with total revenues increasing from GHS32 billion in 2016 to GHS96.7 billion by 2022. Again, for the comparison to be meaningful, these nominal figures must be expressed in real terms. At best, these figures should be expressed as a ratio of GDP, or in other words movement of the revenue-to-GDP ratio. Indeed, data from the Ministry of Finance shows that revenue-to-GDP on the watch of this Minister has not performed well as he claims. Even in 2015, and with all the challenges faced by the economy then, revenue to GDP was 13.2%. Given all the resources that this government has received, including two additional oil wells, government's revenue to GDP is just about 12.1%. The fiscal deficit on his watch actually increased in spite of the covid-19 revenue windfalls, hence his claim of increasing revenues over the period is inconsistent with what happened to government expenditures.
6. In paragraph 6, the Minister spoke about resetting the financial architecture since 2017. The question is what the cost of doing so has been, and whether the exercise could not have been handled more prudently and at a much lesser cost and with minimal disruptions in the financial architecture.
7. In paragraph 7, the Minister took another wrong dive stating, "However, as many central banks, including Bank of Ghana, moved away from pursuing quantitative targets of monetary policy towards price targets, dominance of the central bank's balance sheet as the key metric has waned in many economies and in academic literature as well". This is entirely incorrect, both in practice and in theory. The central bank's balance sheet remains critical in the implementation of monetary policy, hence liquidity management is at the core of this function.
8. If the Minister had appreciated the workings of monetary policy, he would have known that despite the move from monetary targeting to inflation targeting, liquidity management or the ability to control the central bank's balance sheet remains an integral part of monetary policy implementation.
9. The Minister must also know that the use of price targets does not mean that monetary aggregates no longer matter. They still do matter in monetary policy implementation and therefore excessive central bank financing still matters for monetary policy.
10. In paragraph 8, the Minister simply re-echoed the Bank of Ghana's earlier argument that it was normal for a central bank to operate with negative equity, and that its losses recorded in 2022 would not affect its operational efficiency. These industrialised countries cited in the paragraph did not underwrite any insolvency of their governments which caused such losses. The pandemic and the Russia/Ukraine war rather provided windfall revenues to the government of Ghana, and hence cannot be a reason in the case of Ghana. If the losses and the consequent slide into negative equity (projected to be

repeated in 2023) would not matter, why then is the IMF programme asking for a repair of the balance sheet of Bank of Ghana in the medium term?

11. In paragraph 12, the Minister made another flawed statement that, "Accordingly, as the focus shifts from direct targets of money supply to interest rates as operational targets, the framework for analysing central bank balance sheets has shifted, enabling central banks to play more interventionist roles in the economy than before". This is completely and utterly wrong. No framework for analysing central bank balance sheet has shifted; it remains same. The Minister is probably confusing the recent asset purchase practices in some central banks in the industrialised world, with fiscal dominance. These are not the same at all.
12. The interventionist role played by those central banks was to lend to corporates in the private sector in those countries directly through asset purchases, which was later redeemed and hence the central bank's balance sheet was restored to good health. This is totally different from what the Minister has done to Bank of Ghana's balance sheet through illegal money printing and lending to government. Indeed, this practice is at the root of Ghana's macroeconomic problems currently.
13. In paragraph 14, the Minister sought to rub salt into the injury of ordinary Ghanaians and pensioners who out of patriotism invested into the future of our country in longer dated bonds. The book of Proverbs 22:22 states, "Don't steal from the poor, because they are poor. Don't oppress the needy in the gate." And yet this Minister continues to tout a so-called success of government's debt operations that commenced in 2022. With sleaze, this Minister continues to quote the bible and does not realise that he and his Databank owe a moral and spiritual duty to the people of Ghana to refund the commissions they earned on those very bonds that he has restructured.
14. This is a minister who claims to be faithful to the bible and says that he is doing a voluntary job as Minister. Yet he would never respond to the call by Ghanaians to allow a more competent person to take over the economic and financial affairs of the country, in the face of his poor performance.
15. On the new Bank of Ghana building, the Minister must appreciate the opinion of Ghanaians as represented by their parliamentarians, on the subject matter. The central bank has made losses in three of the past six years; and is projected to declare a loss again in 2023 and possibly in 2024. It is therefore legitimate for citizens to seek clarifications regarding value for money considerations in executing such a project and whether current circumstances justify a project of that nature. The Minister should rather welcome the call for an independent audit into the project and to ensure value for money at the end of the day.
16. Towards the end of his statement, the Minister surprisingly veered off from the defense of Governor Addison and decided to call for governance reforms that he claims could

strengthen the Bank of Ghana. He strangely suggests a plan to dislodge the time-honoured arrangement which makes the Governor of the Bank of Ghana the Chair of the Board, as is the case in over 99% of central banks. The Minister must realise that this is precisely why Parliament's oversight function is key as provided in Banks and Specialised Deposit-Taking Act 2016 (Act 930).

17. The Governor is mandated to report to Parliament frequently and to yield to the latter's oversight function. Unfortunately, Governor Addison has not yielded as required, and the Minister perhaps does not require him to do so, because he himself is also often deficient in the requirement.
18. The Minister must not seek to dismantle this carefully thought-through corporate governance architecture at the central bank. There is a reason why this is so in almost all countries in the world. Clearly, the current legal and corporate governance regime at the Bank of Ghana is not the problem; Ken Ofori-Atta is the problem.
19. History will remember this Minister of Finance and the government's Economic Mismanagement Team headed by Alhaji Mahamudu Bawumia for taking Ghana to the IMF in an ambulance.
20. The economy that the NDC's John Mahama government bequeathed to the Akufo-Addo/Bawumia regime was far better than what Ghana has today. This is because the NPP inherited a public debt that was sustainable at 56% of GDP; the Akufo-Addo/Bawumia government has increased public debt to 103% of GDP with very little to show. In nominal terms, they inherited public debt of GHS 120 billion, which they have increased to approximately GHS600 billion with very little to show.
21. Again, the NDC left behind a robust economy with very strong buffers. The Mahama government left behind the Sinking Fund, Stabilisation Fund, Ghana Infrastructure Investment Bank (GIIF), Ghana EXIM Bank as well as a robust tax revenue and oil revenue from three oil fields which the NPP used to kickstart their administration. Yet they have very little to show and have collapsed the economy on their watch.
22. Furthermore, the NDC put in place a strong tax policy and a prudent and controlled expenditure regime, including the Government Integrated Financial Management Systems (GIFMIS). Yet the NPP came in and processed expenditure outside the GIFMIS architecture.
23. It is also noteworthy that the NDC government did not short-change Ghanaians with a haircut economy. The NDC government had a credit rating of B+; the Akufo-Addo/Bawumia government's management of the economy, with Ken Ofori-Atta as the Minister of Finance, is rated D, a super junky economy. Surprisingly, this government that boasted of not signing up to an IMF programme shamelessly did a U-turn and ended up with the worst form of an IMF programme; a programme that they announced and

signed up at a time that they had collapsed the economy and Ghana's economy was at the intensive care unit.

24. The Minister of Finance should not say anywhere again that the NDC administration left behind a derailed IMF programme. Clearly, at the time we were leaving office there was no monetary finance. For the first time in the history of Ghana, the government did not take money from the central bank even though the law allowed the then administration to take 5% of the previous year's revenue from the central bank. But as a government that cared about the impact of inflation and how it could destroy the livelihoods of ordinary Ghanaians, we stayed away from borrowing from the central bank.
25. The people of Ghana would recall that because the Mahama administration left behind a robust economy, the Akufo-Addo/Bawumia government within the first three months of its assumption of office was able to borrow US\$2.25 billion from Franklin Templeton. Today, that same Franklin Templeton will not lend Ghana even one Dollar because the country is not credit worthy.
26. The Minister of Finance should carry his mess and his shame. He should not bring the NDC into matters that border on his greed, state capture for his family and friends as well as his monumental failure in public office. We did better than they are doing and the NDC will always do better when the good people of Ghana give John Mahama and our party the opportunity to govern from January, 2025.
27. Finally, the Minority in Parliament wishes to remind Governor Addison and Mr. Ken Ofori-Atta that the day of reckoning is very near and they will be held accountable for their collective mess.

*****END*****

SIGNED.

HON. CASSIEL ATO FORSON (PhD), MP
MINORITY LEADER

MONDAY, 18TH SEPTEMBER, 2023