



OUR SELF-INFLICTED MONUMENTAL ECONOMIC CRISIS

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Preface

In today's fast-paced and interconnected world, the global economy is subject to a multitude of factors that shape the financial landscape of nations. From geopolitical tensions to technological advancements, the intricacies of economic systems are complex and ever evolving. However, amidst this broader context, there are instances where nations find themselves grappling with self-inflicted economic crises, bearing the consequences of their actions or inactions.

In this thought-provoking article titled "Our Self-Inflicted Monumental Economic Crisis", Togbe Afede XIV, a respected entrepreneur and advocate for socioeconomic development, analyses the intricacies of the economic crisis in which his country, Ghana, has found itself. Published on [Graphic.com.gh](https://www.graphic.com.gh), a reputable online platform for news and insightful opinion pieces, the article critically appraises factors that contributed to the crisis and offers valuable insights into potential solutions.

Togbe, known for his expertise in economics, finance, and governance, brings to light the self-inflicted nature of the economic crisis under examination. Drawing on his wealth of experience and profound understanding of economic dynamics, the author explores various decisions, policies, and practices that have led to this dire situation. Through his engaging and persuasive writing style, Togbe seeks to enlighten readers and foster a broader understanding of the root causes of the crisis.

As readers continue to read the article, they will encounter a thought-provoking narrative that dissects the economic crisis from multiple angles. Togbe masterfully uncovers the interconnectedness of different factors, such as governance, corruption, fiscal mismanagement, and misguided policies, shedding light on the web of circumstances that have contributed to the nation's economic decline.

Refreshingly, Togbe goes beyond merely identifying the problems and provided tangible solutions and recommendations. These recommendations, if implemented, can steer the nation onto the path of economic recovery. His visionary perspective and practical insights offer hope and should inspire dialogue among policymakers, economists, and concerned citizens.

This preface sets the stage for an enlightening and thought-provoking journey through Togbe's article that should enable readers to delve into the depths of a self-inflicted economic crisis. It is a call to action and invites all stakeholders to reflect, learn, and actively participate in rectifying the situation and returning Ghana to sustainable development. Although I may not necessarily be in agreement with all the postulates underlying his presentation, I admire the forthrightness, clarity and conviction with which he puts his views across.

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Introduction

About six weeks ago I was in New York, and for the first time in almost three decades, I struggled to sell the economic credentials of my country. When we were approaching the runway at Kotoka International Airport, at the end of my return journey, I looked outside from my window seat, and my joy about a safe return, as often, turned into sadness – the sharp contrast to what one sees when approaching the runway of the international airport of an average modern city was distressing. I asked myself, why?

Any hope of accelerating our development is now dimmed by our current economic crisis, the result of a monumental failure of leadership. I saw it coming when after only three months in office, the government rushed to raise USD2.25billion from a single source. I thought the interest rate, 19.75%, was punitive, and the redemption premium was protective of the term (duration) of the bond. I saw tell-tale signs of recklessness and I advised a more critical look at proposals from the Ministry of Finance.

Our economy is in a mess and the growing frustration and sense of helplessness among the youth is frightening. I am worried about the greed-inspired, divisive and acrimonious politics which is at the root of all this. What has become of all the love we shared as one people? How I wish we all are committed to building the Ghana that was the dream of our founding fathers.

I know what suffering is like, so I'm worried for my "fellow Ghanaians". That is why, once again, I want to share my thoughts on our development challenges. Much of what I have to say, I have said before and are common knowledge. But there are certain things that can never be overemphasized, and there is often the compelling need to repeat what may seem obvious.



Source: [https://www.gettyimages.com/detail/photo/piggy-bank-in-pieces-royalty-free-image/1222778351?](https://www.gettyimages.com/detail/photo/piggy-bank-in-pieces-royalty-free-image/1222778351?from_view=detail)

Our vulnerabilities



Source: <https://www.gettyimages.com/detail/photo/girl-wearing-vr-goggles-walking-on-background-with-royalty-free-image/1083681634?>

The COVID-19 pandemic has been a great challenge, and so has been meningitis in northern Ghana, and Ebola in some parts of Africa. These and other tragedies have exposed the vulnerability of the black race and the imperative need for our leaders to think about what we can do to further the cause of development in Africa. Here in Ghana, we seem to have missed the opportunity to strengthen our peace and unity, which are vital for development.

Our current economic challenges predate COVID and, of course, the ongoing war in Ukraine. We shall survive all of these, but we must remember always that survival is not the same as prosperity. The truth is that our people are suffering.

Our resource endowments

We are lucky, just like many other African countries, to be endowed with so much, the most important being our human resource – young and growing population. Our country, and the rest of the continent, have more than our fair share of the world's natural resources.

About 30% of all known mineral resources are found in Africa; we have 20% of the world's landmass and 60% of uncultivated arable land; and we have 17% of the population. Yet we account for only about 3% of global output, GDP, and a similar share of world trade. According to the International Energy Agency, Africa has 60% of the world's best solar resources, but only 1% of solar generation capacity.

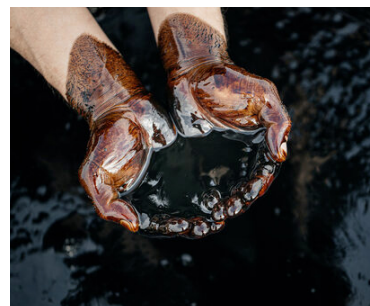
Ghana, with its fertile land, gold, diamond, bauxite, manganese, oil and gas, etc., is much better endowed than the average African country. So, the potential for development is great.



Source: <https://agrictoday.com.gh>



Source: www.rockngem.com



Source: www.zeebiz.com



Source: www.thoughtco.com



Source: www.knowltonindustrialsteel.com

The dream of our founding fathers and the 1992 Constitution

Development that provides the necessities of food, shelter, water, health, education, electricity, roads, jobs and incomes, thus good living standards, and ultimately, happiness, is the minimum that Ghanaians desire, and indeed, deserve.

Not only did the founding fathers of our nation recognise this, but they also believed that we could work for the desired development. That was what inspired the demand for independence and the proclamation that “the black man is capable of managing his own affairs”.



They also believed that we need a free, just, and democratic society in order to develop to our full potential, hence the choice of the motto, Freedom and Justice, to inspire commitment to these most basic requirements of democracy.

The framers of the 1992 Constitution underscored the need for development by providing in Article 36 (1), under The Directive Principles of State Policy, that “The State shall take all necessary action to ensure that the national economy is managed in such a manner as to maximize the rate of economic development and to secure the maximum welfare, freedom and happiness of every person in Ghana and to provide adequate means of livelihood and suitable employment and public assistance to the needy”.

The importance of individual initiative and the private sector are also recognised through the provision in Article 36 (2) (b) that “The State shall, in particular, take all necessary steps to establish a sound and healthy economy whose underlying principles shall include affording ample opportunity for individual initiative and creativity in economic activities and fostering an enabling environment for a pronounced role of the private sector in the economy”.

Happiness is the essence of life, and it is important for unity, peace, stability and for continuing development. So, without guaranteeing the freedom of every individual to pursue happiness, no nation can develop to its full potential. Thus, peace, development, prosperity and happiness for all were in the minds of our founding fathers and the framers of the 1992 Constitution.

The reality of the state of affairs

The truth is that we have failed, woefully, to achieve the ideals of the 1992 Constitution, and the vision of our founding fathers – of a nation that is able to provide, under indigenous leadership, the basic necessities to all its people and ensure their happiness. We have pretended for far too long.

I consider poverty in Ghana a paradox because of our enormous resource endowments – we are hungry in the midst of plenty; thirsty, while standing in the middle of the stream; and beaten by the rain, while holding our umbrellas down.

Notwithstanding all our endowments, we are now a highly indebted, bankrupt, poor country. From 35% of GDP a few years ago, our debt-to-GDP ratio is projected to balloon to 104% by year-end, 2022. We are now faced with questions about debt sustainability and our ability to find the fiscal space to fund urgent and critical development needs. Now, the fears about Ghana defaulting on its debt repayment have effectively materialised with the announcement of a domestic Debt Exchange Programme. And we are making a mockery of ourselves talking “no haircuts” when that is exactly the effect of reduction in promised coupon payments.

Holders of Ghana Government bonds have already seen the value of their investments plummet. Prospects are dim for the holders of the domestic bonds, in particular. The real losses they suffered comprised of the discounts on the nominal values of their investments and the loss of value in dollar terms because of cedi depreciation.

Even more alarming is the fact that we have piled on so much debt and yet we still lack basic socio-economic infrastructure – we could not fix our roads, provide the hospitals that our people need, or schools for our kids, with many still taking lessons under trees.

Making matters worse are the galloping inflation, currency depreciation and the frightening unemployment rate. Inflation, which has been on the rise since December 2021, stood at 40.4% in October 2022. Over the same one-year period, the dollar went up (gained) 141%, from average GHS6 in October 2021 to GHS14.47, equivalent to 58.53% cedi depreciation.

Even though denied, there have been signs of a nation in crisis everywhere you turned – unsustainable indebtedness and threats of default, deteriorating socio-economic infrastructure, turmoil in the markets, and growing joblessness among our youth. So much to do, yet no jobs! And now, business failures are threatening more job losses. We have failed miserably and have fallen far behind our neighbours.

Consequences of failure

The consequences of these failures have been mass suffering and growing frustration, leading Ghanaians to leave the country in droves in search of greener pastures, preferring xenophobic isolation abroad to the stifling conditions at home. The suicide rate has been rising, and so has been the crime rate, with dire implications for our peace and security.

Over the last two years, hundreds of experienced medical professionals, trained at the expense of the state, have left Ghana for care-home jobs in the United Kingdom. By the way, the Government itself is facilitating the exit of our nurses to countries that have relatively more.

As I said in September 2021, during a courtesy call on me at Ho by the Speaker of Parliament, Ghana would have filed for bankruptcy if it were a company. This is effectively what we have done by going back to the IMF, and with the Debt Exchange Programme.



Source: <https://freedomismoral.com/2022/01/27/grim-news-from-denmark-on-evaporating-vaccine-effectiveness/>

How did we get here?

Understanding our difficulties is the first step in the search for solutions. Our chaotic economic situation is the product of a toxic mix of, among others, our dishonesty; partisanship, cronyism and tribalism; greed-fuelled corruption; lack of proper planning, and the consequent episodic approach to economic management; and bad monetary policy that has indexed our future to the past. The situation is worsened by our attitudes and beliefs, and by a Constitution that has outlived its usefulness.



Source: <https://www.indiafilings.com/learn/common-causes-for-business-loss/>

■ Respect for the truth, and the rule of law

Whilst we project ourselves as very religious, we have little respect for the truth. People are not ashamed to invoke the name of God to back the lies they tell, destroying whatever is left that is good in our value system. The way people shamelessly defend wrongdoing is worrying.

Today in Ghana, one is confused as to what the truth is, depending so much on who is talking. Some have become so self-centred that even an obviously wrong action is the best so long as they benefit from it.

Such dishonesty has undermined the principles of fairness, equality before the law, and our democracy, and has adversely impacted our peace, unity, stability and development. Truth and accountability are the foundations of democracy and development. That is why the most developed countries are the ones where the law works.

Even in managing our current crisis, we have not been served with the truth about the Government's intentions.

■ Divisive, tribal, winner-takes-all politics

Today, everything is seen through political lenses. The anti-nation, winner-takes-all brand of politics has politicised development, some tax and duty waivers, award of contracts, and appointments, and even recruitment into the security services. It is shocking that even some aspirants to the Presidency shamelessly advocate for the exclusion of non-party members in the award of contracts and jobs, promising same when elected to power. So, the wrong people get the contracts, and the wrong people get the appointments. The result has been pervasive mediocrity.

Whether it is about development projects, fighting corruption, dispensation of justice, fighting Galamsey or dealing with the consequences of COVID-19, parochial political objectives have taken precedence over national interest. This has been the major factor in our acrimonious and divisive politics.

Indeed, some of our people have a false sense of ownership and entitlement and have become so accustomed to privilege that exclusivity is bad unless they are the beneficiaries. Discrimination has stifled hard work, initiative, and creativity, and has prevented the country from benefitting from all the skills and talents available.

Our Constitution advocates a system that is all-inclusive and provides opportunities for all. But we do not have a model or formula for the allocation of the nation's resources, for example, to ensure equity. Politics has become an end, losing its development objective. Our leaders have shown more commitment to remaining in power than to the development of the country.

■ Greed, corruption, transparency and accountability



Ghana Integrity Initiative estimated that Ghana “loses close to USD3billion to corruption annually”. There is no doubt that our budget deficit would have been narrower, and we probably would not need to borrow from external sources, if honesty and prudence had guided our spending.

The resort to single sourcing or limited tender in the award of contracts, under false certificates of urgency, has

been harmful. It has allowed a few to deploy foul means to secure contracts for relatives and cronies at inflated prices that hurt everybody. While some exploit “urgency”, other officials hide under “confidentiality” to appropriate our limited resources into personal wealth.

Lack of accountability has allowed a few people, with predatory and parasitic tendencies, some of whom come into leadership or public service with the objective of enriching themselves, to profit at the expense of the majority.

Corruption has been stifling and disruptive. Some of our leaders suddenly become businessmen. They obstruct genuine entrepreneurs, frustrate them, or steal their ideas. Their methods stifle initiative and hurt the growth of the private sector. They deprive the country of development by syphoning money that could have built the roads, schools, and hospitals, and are the main reason why our economy is in such a deplorable state.

But corruption is not limited to the public sector. It is pervasive and has undermined productivity in both the public and private sectors because corrupt officials do not achieve much on the job. They spend most of their time plotting to take from the pie, instead of increasing its size. They can be likened to termites at the woodwork, eating at the very foundations of our development.

Greed and the fight for control of resources has bred so much partisanship that political opponents are seen as enemies, even when the public posture is different. Our educated elite have replaced the colonialists in a more painful new scramble for our resources, raping our country mercilessly.

As someone wrote in a comment on a news article, “Corruption was not in the news in Gold Coast, but corruption has flooded the news in independent Ghana”. We have succeeded in making a once clean Ghana another word for corruption”.

Too many transactions and projects have raised eyebrows recently. These include the payment of judgement debts, the proposed Agyapa deal, the failed PDS transaction, the National Cathedral, and the sale of state lands.

■ Fiscal policy, planning, priorities and waste

The management of our economy has been poor. We have over the years talked about the structural defects in our economy, with regard to foreign domination, over-reliance on imports and our inability to add value to our exports. We have not been able to implement any viable strategies to correct these defects.

And, quite obviously, not much thought or planning appear to have gone into some of the choices we made. We all were witnesses to the rushed introduction of the Single Spine Salary Structure and the Free SHS Programme and the sudden and reckless cancellation of road tolls without adequate planning. Many other programmes have been decided without any idea where the required resources would come from. And very soon, our small country will be boasting of three international airports while our internal road network remains very poor.

We also set targets without detailed roadmaps defining required actions, their timing, and their effects as was the case with the E-levy, which failed to bring in the expected revenues. All these, combined with corruption, made budget shortfalls and excessive borrowing inevitable.

We are poor, earn so little, but spend the way even the most affluent countries would not on things which are not necessary. When Houphet Boigny built the 18,000 capacity Basilica of Our Lady of Peace, in Yamousokro in 1990, 32 years ago, Ghanaians mocked at him. Little did we know that decades later, we will be attempting to outdo him with our own National Cathedral.

The large increase in the number of ministries and appointees in 2017 was, invariably a waste, because it did not make any impact, let alone produce the promised outcomes. Political motivations dictated reckless increases in the size of our parliament, with little or no thought about the extra costs, i.e., salaries, multiple ex-gratia payments, Common Fund allocations, etc., etc.

Payment to directors and employees of non-existent Keta Port, monies lost in the failed award of ECG to PDS, abandoned projects, sale of government vehicles and their replacement after four years or less, and expenditure on new voters registration, have been wasteful.

Similarly wasteful have been payment of end-of-service benefits and all manner of allowances and perks to some state employees, huge convoys, unnecessary expensive travel for mostly unproductive seminars and conferences (e.g., the reported 322 people who attended the recent UN Climate Change Conference in Egypt).

By the way, I am not sure whether, and how, our parliamentarians account for the various monies they are given for development interventions in their constituencies. Meanwhile, NABCO trainees are fasting and praying over unpaid allowances.

Our SOEs are poorly supervised. That is why they build edifices they do not need, spend almost all the revenues they generate, and pay very little or no dividends to the state. That is why their executives seize every opportunity to travel abroad, most of the time needlessly. And that is why they have policies that provide for the payment to redundant workers as much as four (4) months' salary for every year they have worked, even when their enterprises provide Tier 3 pension contributions.

The so-called banking sector clean-up, involving the closure of some banks, was a reckless unplanned move that imposed unnecessary cost on the state. We are yet to see the cost-benefit analysis of that exercise. Meanwhile, we are paying the price for all the recklessness.

■ Monetary policy failure



Source: <https://economictimes.indiatimes.com>

Our monetary policy is one segment of economic policy that has escaped scrutiny over the years. Not since 2003 when I complained about monetary policy in this country has there been any open debate about how monetary policy has been conducted.

The failure of monetary policy to achieve its objectives and targets has been a key part of our problems. The arguments I made in 2003, 19 years ago, are still valid today. BOG has indexed its policy rate to past inflation, a self-fulfilling prophecy, with predictable adverse consequences for inflation and the value of the cedi.

By this dogmatic interest rate policy, BOG tried to keep its policy rate above year-on-year inflation. In their article responding to my concerns in December 2021, BOG argued that “The simple theory underpinning finance suggests that investors will always have to be compensated

for inflation and that investors always factor in real interest rates in making decisions. With an inflation rate of 11 percent, the central bank's policy rate of 13.5 percent implies a real interest rate of 2.5 percent". I am surprised that today they are happy to fix their policy rate at 27%, below the year-on-year inflation rate of 40.4%, when they have always argued for the opposite.

It is surprising that the economists at BOG still do not understand that the year-on-year inflation is a historical concept, and that, it is not past price changes that interest rates must seek to compensate for. The relevant inflation rate for fixing the policy rate, in my view, should be expected inflation, adjusted for seasonality, etc. Expected inflation is what astute investors are interested in, much the same way they look at forward price-earnings (P/E) ratios as opposed to trailing P/E ratios in evaluating shares for investment purposes.

The Fisher effect, named after Irving Fisher, defines the link between inflation, nominal interest rate and real interest rate, and explains the tendency for interest rates to rise when expected inflation is high and fall when expected inflation is low. Thus, a fall in expected inflation, if the expected real interest rate is unchanged, should cause an equal fall in the nominal interest rate.

It is also wrong for BOG to persist in trying to tame inflation in Ghana using high interest rates as could be successfully done in a rich country like the UK. The minimum wage in the UK is GBP9.50 an hour or GBP76 for an 8-hour workday. In Ghana, the minimum wage is GHS14.88 per day, less than GBP1. The average cost of a litre of petrol is GBP1.69 in the UK, 2.2% of the daily minimum wage. In Ghana, the average cost of petrol is GHS16.5, 122% of the daily minimum wage.

The relativities are similar with regards to other necessities of life. So, unlike in the UK, increasing interest rates will only increase cost of living in Ghana, but will not encourage the average Ghanaian, who can hardly make ends meet, to spend less and save more.

These high interest rates made it difficult for businesses to borrow to invest in the real sectors of the economy to achieve the value-addition we crave. It also perpetuated our import dependence, while making it difficult for local entrepreneurs to borrow, invest and increase local ownership of the economy. Thus, BOG officials have inadvertently frustrated the restructuring of the economy, which they themselves have identified as the solution to our balance of payments deficit and currency depreciation problems.

It is difficult to see how policy rate increases can fight cost-pushed inflation resulting from food or crude oil price increases or increased taxes on petroleum products. Sadly, even at the height of the COVID-19 pandemic, when income levels had fallen world-wide, and stimulus packages were being implemented everywhere to boost economic activity, BOG still ensured that we suffer under strangulating high interest rates.

While BOG's monetary policy over the years has succeeded in maintaining a growth-stifling "high inflation – high interest rate" environment, it has also created the most profitable banking sector in Africa, if not the world, all with disastrous consequences for the cedi.

The size of UK's economy, as reflected by its GDP, was about USD2.7trillion in 2019, almost 40 times Ghana's GDP, USD72billion. But the Bank of England (BOE) made a profit of GBP57million (USD76million) in 2020/21, down from GBP72million (USD96million) in 2019/20. BOG, on the other hand, made a profit of GHS1.57billion (USD270million) in 2020, down from GHS1.8billion (USD310million) in 2019. Thus, BOG made almost 4 times as much profit as BOE. Incredible!

Over the years, our commercial banks have made enormous profits while the real sectors, including manufacturing, have been in trouble.

BOG claimed that "The banking industry's performance has defied the general economic downturn with strong growth across key metrics including total assets and deposits, as well as sustained improvement in profitability within the industry during the first half of 2022."

And that, "The sector's total assets increased by 22.8 percent to GHS200billion at end of the period, representing a 17.2 percent growth over the previous year. The domestic component of total assets recorded a higher growth rate of 23.5 percent in June 2022 compared to a growth of 18 percent in June 2021".

They added further that "...the higher growth in the industry's assets by mid-year was primarily on the back of an upsurge in deposits and borrowings during the review period".

But the undeniable truth is that all these "growths" were fuelled by high interest rates, and represent a transfer of assets from government and the real sectors to the banking sector. BOG and the commercial banks' huge parasitic profits put a lot of stress not only on the private sector, but on the public sector as well. They impose a huge burden on those outside the banking sector and frustrate the realisation of the needed structural change.

The use of the wrong inflation variable accounts for the failure of BOG's inflation targeting policy. When in December 2021 BOE increased its prime rate from 0.1% to 0.25%, to meet a 2% inflation target, BOG, on the other hand, increased its policy rate from 13.5% to 14.5%, while targeting an inflation of 8%. BOG's policy rate was more related to the reported year-on-year (past) inflation of 12.2% instead of its target (expectation) of 8%. BOG sought to keep their policy rate above year-on-year inflation to maintain a "positive real interest rate" based on their awkward understanding of real interest rate.

It is worth noting that Zambia's November 2021 inflation was 19.3% but Central Bank of Zambia's prime rate was as low as 9% in December 2021. Today, while Ghana's inflation in October 2022 stood at 40.88%, Zambia recorded 9.7% inflation in October 2022.

Our high inflation and interest rate statistics naturally feed into external market perception of our outlook. We cannot through our policy rate give an impression of a high inflation risk outlook and expect the external financial markets to think differently. So, BOG's approach has been costly for us in the international financial markets too.

Speaking during a press briefing on Friday, October 7, 2022, in Washington, DC, on the 2022 edition of the Babacar Ndiaye Lecture, Dr Hippolyte Fofack, Chief Economist and Director of Research at Afreximbank, elaborated on the importance of this year's theme, "The Developing World in a Turbulent Global Financial Architecture":

"Africa's total external debt is about \$726 billion. That makes it less than a third of Italy's debt estimated at about US\$2.8 trillion. And expressed as a percentage of GDP, Africa's total external debt is 27%, compared to 130% in Europe. Yet African countries are more at a risk of debt distress than their European counterparts largely as a result of large spreads and default-driven borrowing rates assigned to African sovereign and corporate entities."

Thus, BOG cannot justify the astronomically high monetary policy rates that have burdened our economy over the past 20-plus years. It has not only increased money supply over the years, fuelling price increases, but has also undermined the cedi. Contrary to their claims, we cannot use "higher interest rates to maintain exchange rate stability", and more so when they have failed to protect the cedi as the only legal tender in Ghana. High interest rates have not and will not help us "maintain exchange rate stability". Parity laws tell us the opposite.

On November 1, 2007, GHS1 was equivalent to USD1. GHS1 invested in Ghana government's 91-day treasury bill on that day and rolled over for 15 years would grow to about GHS12 on October 31, 2022. Coincidentally, the price of USD1 on October 31, 2022 was about GHS13! Obviously, this huge return on the cedi has been inflationary, and also aided cedi depreciation.

As I pointed out, inflation was 40.4% in October 2022. Along with it, the dollar went up 141%, from average GHS6 in October 2021 to GHS14.47, implying cedi depreciation of 58.53%.



Source: <https://www.501c3.org/6-operating-policies-your-nonprofit-must-have/>

Most importantly, it must be realised that the high monetary policy rates will not help efforts to remove the “structural bottlenecks” that BOG often alludes to. On the contrary, they have been the stumbling block to creating an enabling financial market where businesses can source debt capital for growth and expansion. They have made the cost of capital excessive, aggravated the supply problems in the economy and increased our import-dependence.

Today, we are locked in the same, growth-stifling, demand-side approach to the inflation problem, and find ourselves in a vicious circle of high inflation and high interest rates.

The mere fact that after over 100 years of producing cocoa, we still go abroad to borrow money to finance its purchase is ample evidence of how our banking system has failed the real sectors of our economy. Bank of Ghana has been at the centre of this problem.

■ Private sector and crony capitalism

We have failed to give genuine support to private initiative and create conditions for all to participate in the development process to reduce the burden on government, reduce the national debt and minimise public sector corruption.

The few initiatives in support of the private sector, like President’s special initiatives and 1D1F, have been politicised. Tax waivers, duty exemptions and other incentives in such cases have become a privilege reserved for loyal party supporters instead of being targeted at sectors of the economy that need support to become globally competitive.

Great ideas and initiatives have not been supported merely because of selfish or political reasons. Crony capitalism has spelt doom for the genuine entrepreneurs, ensuring the happiness of a few, and discontent, misery and suffering for the majority.

Pretentious, poorly planned initiatives like NABCO have been the preferred short-term political reaction to the unemployment problem. But these, we all know, do not create real jobs, and thus cannot provide sustainable solutions to the youth unemployment problem.

■ Weak institutions

Many of the above issues and challenges are the result of the virtual bastardisation of many of our institutions. Parliament, for example, has been very ineffective, while the Judiciary has been perceived to be politicised, leading to mistrust. These have contributed to the creation of a chaotic and toxic political environment.

Many have lost faith in the courts, and their ability to ensure justice when rights are trampled upon. And when at the same time Parliament has been weak and toothless, freedom and justice became imperilled, making a complete mockery of our democracy.

Many of our other institutions have also failed us because they have been weakened by the loss of their independence, with adverse consequences for the nation's development. The Council of State, Electoral Commission, National Media Commission, Public Services Commission, Commission on Human Rights and Administrative Justice, National Commission on Civic Education, Lands Commission and even the military, the police service, and chieftaincy have all become politicised.

The following words of Nobel Prize laureate, Rigoberta Menchú, are quite instructive: "Without strong watchdog institutions, impunity becomes the very foundation upon which systems of corruption are built. And if impunity is not demolished, all efforts to bring an end to corruption are in vain".

■ The 1992 Constitution and the President's powers

Our constitution has outlived its usefulness, is responsible for the weakness of our institutions, and has been a major bottleneck to our development. Many of its provisions appear to belong to a different era or look like inspired by considerations other than democratic or development objectives.

The excessive powers of the President, for example, and the indemnity clause that ensures that he cannot be held to account, have encouraged reckless abuse of power, and are at the root of corruption in our country.

Our President appoints people to thousands of positions and can dismiss them at will, virtually. It is the main reason why many of our institutions are politicised and weak.



Source: www.officeholidays.com

■ Galamsey

There is no doubt in my mind that our resort to prayers and deities, instead of the law, to stop the massive destruction of our environment by unregulated small-scale miners has presented a negative outlook for our country, generally, and its economy, in particular.

At a time when environmental sustainability and issues about climate change have dominated discussions at almost every level of global policy dialogue, it is shocking that we can remain apathetic bystanders while a few people destroy our agricultural land and water bodies. It is hard to imagine any other country which will tolerate that level of environmental degradation.

It was not only a bad environmental practice, but laughable and wasteful to burn a few excavators, which probably cost foreign exchange to bring in, as a way of showing commitment to fighting Galamsey.



Source: www.modernghana.com



Source: www.citineewsroom.com



Source: www.youtube.com/watch?v=HipddZzSyyk

■ Attitudes, beliefs and value system

Our attitudes, beliefs and value system have been a major part of the problem. They have allowed under-development, poverty, and dependency to become the lot of our people, as is the case with virtually every black nation, from Haiti, the poorest country in the Western Hemisphere, to the Horn of Africa.

We seem to have replaced bad traditional beliefs with equally bad, if not worse religious beliefs. A study showed that the richest 25 countries are generally non-believers, while the poorest 20 countries, mostly in Africa, are great believers.

Many of our new pastors predict only bad news and preach mostly about the devil, bad spirits and evildoers. Every misfortune is the work of the devil, and so people must seek help from the pastor. These beliefs and practices stifle initiative and discourage hard work. They make most of our people lose trust in their own ability to effect the desired changes in their lives.

Also, we have developed a get-rich-quick attitude that does not question the source of people's wealth and does not recognise that success must be a product of honesty and hard work. It has allowed us to become so tolerant of corruption as to virtually accept it as "business".

Our attitudes and beliefs are also the reason why we sit aloof and allow a few people to toy with our lives and disrespect us. We watch our leaders shower praises on themselves while celebrating mediocrity.



Source: <https://www.efrontlearning.com/blog/2022/01/work-attitudes.html>

Threats to peace, stability and unity

All the above are lingering threats to our peace, stability and unity. They have hurt our outlook and our ability to realise our full potential, and partly explain why after enjoying more than 30 years of relative peace in a turbulent West African subregion, we have little dividend to show.

Now our current economic crisis is breeding more distrust and suspicion among our people, because of perceptions of unfairness and unequal access to opportunity, much of it rooted in politics, and creating a chaotic socio-politico-economic environment. These have further negative implications for our peace, stability, unity, and development.

It is true that “money does not like noise”. So, we must appreciate that cronyism, corruption, acrimonious politics and lawlessness create disorderliness, or “noise” that deters investors.



Source: <https://www.qafila.com/air-cargo-prohibited-items-dos-and-donts-for-air-cargo>

We can turn it around

As I have always said, poverty is not God's desire for man. We can turn our fortunes around and make a paradise out of our small country, so we would enjoy sustainable peace, unity and equitable development, maximise the welfare and happiness of every Ghanaian, and make it unnecessary for the youth to embark on hazardous journeys across deserts and seas in search of greener pastures.

The resources needed are right here. We can do it with a bold compelling vision backed by detailed planning, hard work, honesty, and genuine support for the private sector.

It would require leadership that recognises the need and encourages us to work together and do things differently. More of the same approach will not produce different results. So, we need to reflect on the way we have done things in the past, and try to mobilise and utilise better, the resources that we have.

It would require leadership that respects the truth, eschews divisiveness, and accepts that we have done enough politics, and that it is time we focus on development and the things that bind us together, put the interest of the nation ahead of personal and party interests, and unite to confront our development challenges as one people with a common destiny.



Source: <https://www.linkedin.com/pulse/my-insights-turnaround-strategies-deployed-companies-yashodhan-jain/>

Leadership must encourage us to do away with this greed-inspired and violence-backed democratic dispensation that often denies people free choice. As former President, General Acheampong said, “I can go today and the SMC Government can go, but the problems of the nation will still remain, unless the people as a whole change from their greed, avarice and other social evils that afflict us”.

Still, it would require leadership that insists on transparency and accountability in our institutions. We have gotten to a point where nothing should be confidential, including our national security spending, which is alleged to be an avenue for syphoning state funds. I would prefer that we go through rigorous processes and get value for money in all our transactions. I agree with Angel Gurría, Secretary General, OECD, that, “Integrity, transparency and the fight against corruption have to be part of the culture. They must be taught as fundamental values”.

We also need a development-driven fiscal policy, backed by proactive and complimentary growth-inspiring monetary policy, and accept that slogans do not produce development.

Leadership must lead a review of our Constitution to align it with our aspirations. The resulting amendments should, among others, reduce the powers of the President, modify the indemnity clauses, put caps on the number of ministries, constituencies, etc., and strengthen our institutions so they can serve their various purposes.

One cannot over-emphasise the need for trustworthy, visionary, honest, humble, tolerant and selfless leadership that truly believes in democracy, is committed to the best interests of the people, and desires to leave a genuine legacy.

However, it is fair to say that the fate of our democracy, and thus, our development rests, ultimately, on us, the people. Hence the need for us to change our attitudes, eschew apathy and work hard.

But in the short term, we must get our response to the current debt crisis right. The unilateral domestic debt exchange announced is a wrong response that will destroy our credibility as a country, undermine the progress we have made in the development of our capital market, especially the debt market, and set us back several years.

As an alternative, Government could decide the following quickly, and make projections of revenue and expenditure accordingly to form the basis of a new strategy in debt negotiations:

- Implementation of the most drastic measures necessary to rein in corruption
- Increase of taxes on high income earners, companies, and property
- Introduction of taxes on income from tax-exempt government domestic bill and bond investments
- Immediate re-introduction of road tolls at much higher rates than they were in the past
- Suspension of non-essential new capital projects
- Suspension of funding of non-essential and unproductive projects like the National Cathedral
- Implementation of other expenditure reduction measures to affect, among others, number of political appointments, allowances paid to public sector employees, foreign scholarships, foreign travel, vehicle procurement, and end of service benefits
- Freezing of non-essential capital expenditure by major state-owned enterprises (SOEs) and enhancement of their dividend payments to government
- Support of private sector investment in infrastructural projects, and
- Sale of non-strategic state assets.

The dangers we faced were evident, and these measures could have been implemented at least a year ago if we had not been in denial. All said, our current situation is the product of our past actions and inactions, including our apathetic attitude to corruption over the years. Our future will reflect the actions we take at this critical time in our history. Fighting poverty requires that we all join in fighting every obstacle to our prosperity.



OUR
SELF-INFLICTED
MONUMENTAL
ECONOMIC CRISIS

December 8, 2022

