

Contribution of Minority Leader, Osei Kyei-Mensah-Bonsu, on budget statement 2012

Madam Speaker, thank you for this opportunity to contribute to the motion on the Budget Statement for 2012.

The budget is the most important document that governments produce. It is a powerful tool in influencing economic and social development. The budget determines whether there is equitable access to services by different groups of the population such as women, children, the disabled, the poor and other minority groups.

Article 179(1) provides for the President to cause to be prepared and laid before Parliament estimates of the revenue and expenditure of the government of Ghana for the following financial year. Essentially, therefore, the budget is the President's document. The President only clothes one of his Ministers with authority to present same to Parliament. A person does not send an emissary to deliver an important message and leave his home before the message is delivered. This is what our President, His Excellency John Evan Atta Mills has done. It is perhaps the first time in living memory that a President of this nation has so behaved.

Article 179(3) enjoins the Chief Justice to, in consultation with the Judicial Council, submit to the President both the estimates of the administrative and development expenditure of the Judiciary. 179(5) provides that the estimates of the Judiciary shall be laid by the President. It is interesting to note that Article 179(5) unlike Article 179(1) does not talk about the President causing to be laid before Parliament the estimate of the Judiciary. The article further provides that the President in laying the estimates of the Judiciary shall not revise or vary the figures but may submit any recommendations that he may have directly to Parliament. This house has as of yet not been served with any recommendations that the President has submitted to Parliament in respect of the budgets of the Judiciary, the Auditor-General and the Parliament. What is the state of affairs? Parliament ought to know.

As we learnt the other day at the post-budget workshop at Ho, following the preparation of the 2012 budget, a cardinal principle of good budgeting is Comprehensiveness. The budget must cover all the fiscal operations of government encompassing all public expenditure and revenues to enable full and informed debate of the trade-offs between different policy options.

Government has succeeded in holding down inflation. However arrears due from Government to Ghana Commercial Bank, to SSNIT, to DACF, to GETFUND, to public sector employees, to TOR by way of subsidies on petroleum products, to Road Fund, remain humongous. If government pays the arrears what would be the effect on inflation, how would the currency react, in other words what will be the real value of the cedi.

It is important not to be selective but to be very comprehensive. The IMF's world economic outlook for 2011 in respect of developing countries which includes Ghana, and in particular for Sub-Saharan Africa indicated that growth prospects was going to be very resilient for 2011 and 2012 propelled by high commodity prices, in our case, by cocoa, by gold and oil (ref. to par. 21 on page 9 of the Budget). The resilience which the Minister spoke about is not as a result of his prudent management, not any magic wand from him or from the so-called Better-Ghana mantra.

Similarly, oil-exporting economies in the region, i.e. those in stable production are predicted to grow their GDP by a percentage point over and above the 2011 growth rate. The Minister makes this admission in paragraph 27 of the 2012 Budget Statement on page 10. So if Ghana's projected GDP growth rate is going to drop from 13.6% to 9.8% the Minister owes the nation a good explanation.

On inflation, government must be commended for staying on track. But again, what are the facts? The IMF predicted that in Sub-Saharan Africa for 2011 and 2012 inflation was going to be between 7 – 10% thanks mainly to moderation in food and energy prices as compared to 2007 – 2008 (ref. to para 28 & 29 of 2012 budget). In other words if inflation in Ghana had shot off the 7 – 10% mark it would have been very, very odd. Suitable conditions, according to IMF prevailed for this achievement, it is not a better Ghana agenda.

Second is predictability. Spending ministries, departments and agencies should have certainty about their allocations, especially in the area of capital investment, to enable them to plan ahead. Stable funding flows support planning and efficient and effective delivery. In critical areas like agriculture and industry, release of funds in 2010 and 2011 in the areas of investment amounted to less than 60%. How do we grow the economy with such epileptic releases? In the 2012 budget Statement the minister could not come clear on the \$3 Chinese Development Bank (CDB) loan. Yet the \$3 billion loan is the cornerstone of the 2012 development component of the budget. People are asking questions about infractions of the Agreement on the PRMA which provides that “.....”. Provisions in the Agreement without equivocation indicate that the Agreement shall not be breach in of any local law. Clearly, there is conflict. How predictable is the \$3 billion facility?

Third principle of good budget: transparency. All relevant information required for sound budgetary decision-making should be available in accessible form. Budget information need to be accurate, reliable and comprehensive. In the area of petroleum revenue, government has not been forthcoming with full disclosures of facts. First, government has failed to come to Parliament about what the allocations to GNPC were used exactly on against the pledge of the Minister of Finance last year. Second, the Minister is required to submit a report alongside the presentation of the current budget on oil. The Minister failed to do this. The Speaker ruled that this must be done. As I speak

that has not been complied with. Also not complied with is the excess in spending of the approval level of the supplementary budget.

Government has proposed amnesty for tax evaders up to December 31, 2011. On the face of it one could commend government for a bold decision. The people of Ghana however need to be informed about who are the big tax evaders which government has in mind. What total indebtedness are we looking at? Is it the case that some companies have collected taxes from employees and refused to pay, for instance? Just what is the nature and character of the skeletons in the cupboard. How far is it true that some of the defaulting companies are financing a particular political party and hence the reason for the amnesty. The public must know.

Fourth, public availability of the information – The public should be provided with full and not selective information on the past, current and projected fiscal activity of government. Information provided in the budget is a pick-and-choose one. When it suits government it quotes 2008 figures and juxtaposes with 2011 projections and 2012 anticipations. Other times they dig into 2005 and 2006 figures. Government projects a GDP growth rate of 13.6%. That on the face of it is commendable. But since government is hammering its chest for unprecedented performance, government should disaggregate the figures appropriately; what is the contribution of petroleum production.

If we remove the growth attributed to oil production, the growth in the non-oil economy would about 7%, less than 2007 and 2008 growth rates.

The WAMZ convergence criteria and Ghana having satisfied all the four primary convergence criteria. That is a good achievement and it is important for the other four countries, Guinea, Gambia, Nigeria and Sierra Leone to strive hard to enable the ECO to be introduced. If Liberia and Ghana migrate and there are problems which of the two could offer a bail out. Whilst we are that, it is important to learn lessons from the tsunami afflicting the countries of the Euro zone.

That notwithstanding, one thought that instead of the NDC government making it appear as if it is the Better Ghana Agenda that has led us on this course, it would have been better for government to have told us what the situation was from 2001 to 2008 in the other West African countries. In the 2011 budget, Dr. Dufuor chose not to talk about that: Ref. to Table 1 on page 13 of the 2011 Budget. From 1 in 2007 Ghana achieved 2 targets consistently until 2008 when she slipped. At that time it was only Gambia and Nigeria that in one year attained all convergence criteria. The two countries subsequently slipped. The others achieved 1 & 2 and no more. That was then. Yet selective as the Minister was he chose not to let the nation know where we have all come from.

Now there are two sets of criteria which measure a nation's progress. There is a secondary convergence criteria. Please refer to page 13 of the 2011 Budget Table 2. The NPP administration moved from a zero achievement situation in 2000 to achieving 3 out of six in 2006 and 2007 and slipped to 2 out of 6 in 2008, an election year. Of the six

secondary convergence criteria the NDC has dropped to achieving just one. And they claim they are doing better. Mr. Minister a key principle of a good budget is providing full not selective information to allow for sound debate.

In paragraph 59 of the 2012 budget the Minister tells Ghanaians that production of petroleum started in January 2011. However as a nation we know production started in December 2010. What happened to the quantities produced in 2010?

The fifth principle of a good budget is that, fiscal information should have integrity. On page 20 the figure for total expenditure 2011 end-year projections including arrears clearance and tax refunds has been given as GH¢15,274.6 million. On page 27 the same figure has been given as GH¢15,565.5 million. The variation is GH¢290.9 million or ¢2.91 trillion. The question is has the ¢2.91 trillion been spent or has it not been spent? If it is has not been spent, how did it surface, if it has been spent how did it not appear and yet we had a balanced account.

Again, it is important to observe that two different figures have been quoted for the total expenditure component of the 2011 Revised Budget Estimates. In the table on page 20 of the budget Statement, the figure is given as GH¢12,938.0, on page 27 the same figure is given as GH¢14,397.4. The difference is GH¢1.459.4 million or ¢14.594 trillion. The question is, how come?

On page 42 we have different figures in paragraphs 147 and 148. It is indeed strange that on the same page of the budget, two paragraphs, one following immediately after the other should provide two different sets of figures. An analysis of the figures given makes very interesting reading. Paragraph 148 provides higher total petroleum receipts: GH¢1,240.88 million against GH¢1,239.82 million. The Receipts figure in paragraph 148 naturally earns much more royalty payments, GH¢240.73 million against GH¢236.87 million in paragraph 147 which is GH¢236.87 million. Carried and participating interest is GH¢628.92 against GH¢618.84. What is strange, however is that in paragraph 148 the higher receipt attracts a lower corporate tax of GH¢371.23 million against GH¢384.11 million.

In paragraph 784 it is stated that 32,358 Civil Service Staff were transferred to Local Government Service in 2011. Paragraph 818 provides that 30,000 staff were transferred. What happened to the 2,358 people. Were they paid? Where were they paid, how much have they been paid? Any incidence of double payment? A budget should have integrity.

The Minister has lots of explanation to do. The discrepancies, the inconsistencies, the wide off-the-wall expenditures, not to be philippic but charitable do mean that the 2011 budget which provides the foundation for the 2012 budget was afflicted with common problems with budgeting namely; poor planning, poor expenditure control, weak cash management, ill-disciplined execution that leads to a large gap between the budget as approved and the budget as implemented. It also means inadequate accounting

systems. It means the 2012 budget is foundationed on poorly organized and unreliable budget documentation.

Mr. Speaker, distinguished colleagues from the Ministry side have distinguished themselves in critiquing the various sectors of the economy. I do not intend to go through the motion again. I may want to emphasise four of the salient issues raised.

DEBT STOCK

First is the huge debt problem, which as at June 2011 was GH¢21.5 billion or \$14.3 billion which is equivalent to 40% of GDP. Ghana runs the risk of returning to unsustainable debt situation which conclusion was reached by IEA panelists as captured in the Daily Graphic of November 3, 2011. If one factors in all the loans which we have approved since June then we are well over \$18 billion or 51% of our GDP.

Recurrent expenditure (in personal emoluments and pensions) rose astronomically in 2011 while capital expenditure fell quite below the budgeted amount. Planned reforms of the public sector (especially downsizing) have been shelved ostensibly for populist reasons.

The Minister trumpets that the 13.6% GDP growth rate makes Ghana's economy one of the fastest growing in 2011 and alludes to prudent fiscal management. It has been proven that the growth in the GDP was because of the additional domestic product which oil provided us for the first time in our history. So oil production is the main driving force. Next year if oil production levels do not dramatically go very high up, the economy would not grow as much as did in 2011.

In all this we must remember that oil production in itself does not guarantee many jobs because it is a highly capital-intensive enclave activity. It is the oil-related activities which create jobs. That is why the local content law cannot delay any longer. At the end of it all however, if the very high rate of unemployment is to be addressed, greater attention has to be paid to the non-oil sector.

Madam Speaker, the Hon. Ranking Member for Finance drew attention to a release from the Ministry of Finance which has been quoted by the Business and Financial Times about liftings of crude Oil. The report in the budget statement shows a difference, a shortfall or under-declaration by 1454 barrels of crude oil amounting to \$14.5 million which revenue the 2012 budget does not appear to capture. The cedi equivalent is GH¢23.2 million or ¢232billion. Where is the money? Prof. Mills met a debt stock of \$8.1 billion. Three years into the administration of Mills loans approved and disbursed have shot this figure to \$14.8 billion. The figure excludes the \$1.5 billion STX loan, it excludes the \$3 billion CDB loan, a cornerstone of this budget; it excludes the \$337 million from Israel; it excludes the \$250 million loan for the Embraer planes; it excludes \$250 million from OPIC; it excludes the \$75 million from Canada; it excludes

the loans for Upper East and Upper West Electrification. The sum total of these is about \$20.6billion.

And did I hear the Deputy Majority Leader say that “we are now not wayward in our expenditure. The economy is not being run amok”? I take solace in the lyrics of the evergreen K.K. Kabobo: “Onyame ahu woo o!”

Mr. Speaker, if we are to total loans approved by Parliament, accessed and unaccessed, the figure is in excess of \$17 billion in three years. It is happening under President Mills who only last week was heard of in Canada sermonising that developing countries must begin to wean themselves off financial attachments to the industrialized world in order to be able to stand on their two feet.

The NPP had a very ingenious way of downsizing the country’s debt stock. When it left office the country’s debt stock stood at \$8.6 billion which meant that the net addition to be country’s debt as they met it was only \$1.591 billion. By the time the NDC exits in December 2012 indications are that they will have added, net, at least \$15 billion in just 4 years. Some prudent managers!

AGRICULTURE

Madam Speaker, Agriculture remains the backbone of this country. In September this year when His Excellency the Vice President visited the farms of personnel of the National Service Scheme in the Central Region, he reiterated this point. Vice President John Mahama hit the right cord when he said “the future of this country is not in gold, it is not in oil, the future of this country is in Agriculture. It is agriculture that will truly transform this country and take it to the next level that we want it to go and it is easy for us as a people to feed ourselves once the right policies are in place and we have the will to”.

However, how has agriculture fared under the NDC? In 2009 agric witnessed significant growth. We had good rains. Over 900 tractors that Kufuor’s government had imported had just arrived. Fertiliser had arrived in good time for distribution. Agric responded positively. Since then agriculture has been on downward spiral. In 2010 agric grew by 4.8%. In 2011 when the economy grew at 13.6%, agriculture, the backbone of the economy was targeted to grow at 5.3%. That was a mark of failure at the very onset. Notwithstanding, we managed to grow agriculture at a paltry 2.8%. And for a party that accused Kufuor’s government of insensitivity about the plight of fisher folks, growing fishing at only 1.7% should be rather embarrassing to them, to say the least.

Undoubtedly cocoa at 1 million tonnes production is the showpiece but what is Hon. Ahi saying this time? In 2007 when government through various schemes secured the second highest production levels ever in the country’s history the Hon. Member was one person who insisted it was due to smuggling of cocoa from Ivory Coast. What is his

verdict today? Is it cocoa from Ivory Coast which is boosting our production, Hon. Ahi? Let us learn to give praise where praise is due.

TRADE AND INDUSTRY

Industry is also not doing well. The target for manufacturing was 7.0%. The performance of 1.7% was a mere 24% of the mark; less than ¼ achievement. In other words, we need to do 4 times or 400% more to achieve the 7.0% target. We cannot be proud of it.

Manufacturing is collapsing because of lack of access to credit; it is collapsing because of high interest rate inspite of the trumpeted single digit inflation; it is collapsing because of high utility costs; it is collapsing because of the persistent intermittent power outages; it is collapsing because of litigations over land; it is collapsing because of low productivity. These should be our priority areas. What bold indications are in the budget relating to these? None whatsoever.

In the meantime, the Northern Region is still awaiting the 50,000 tons capacity sheanut processing factory promised in both 2010 and 2011 budgets. The sugar manufacturing project at Savelugu-Nanton; the revival of CEDECOM and the serious capitalization of SADA; the development of bauxite deposit at Kyebi and Iron ore at Oppong Manse, the industrial salt complex at Keta promised in 2010 and 2011 budgets have all proved to be empty promises.

HEALTH & EDUCATION

Colleagues have spoken to government's punch-drunk performances in health, where the one-time Health Insurance premium has proved to be just a vote-winning gimmick or ruse if gimmick is a strong word. In education results have been most bizarre.

The BECE results tell a story. In 2001 the results indicated that 60.4% of those who sat for the exams passed; in 2002 it was 60.48%; 2003 it was 60.99%; 2004 showed 61.18%; 2005 showed 61.59%; 2006 it was 61.91%; 2007 was 61.28%; 2008 was 62.16%..... Consistent improvement. Enter the NDC in 2009 – 50.21%; in 2010 it was 49.12% and 2011 it is 46.93% pass rate. The worst in over 15 years. In the senior secondary school exam this year recorded the worst result for the 3 year graduates. For those who pursued the 4-year senior high school system their result is the best for two decades.

Government is doing well in continuing the policy to remove schools under trees which was begun in 2007. We must interrogate what has gone wrong such that the provision of infrastructure is not translating into good results. Is it the case that over reliance on untrained national service teachers and volunteer teachers in proving detrimental? Is it the case that not training teachers to handle the kindergartens is not

helping to provide good foundations? Teachers and pupils are complaining about the non-provision of ceiling for the classrooms which become too hot in the afternoons to allow for effective teaching and too noisy with the least downpour of rains to allow for continuation of teaching. In paragraph 617 the Minister admits that out of the 1226 schools which are at various stages of completion only 99 have toilet facilities. Over 1000 have no lavatories and the pupils have to leave class for long periods and trek elsewhere to attend to nature's call. We certainly need to question the policy direction of the Ministry of Education.

Mr. Speaker, the Ranking Member for Roads, the Hon. Member for Ejisu-Juaben has done a marvelous job exposing the ineptitude and inefficiencies in the road sector. I will not want to repeat what he has said. In the course of his expose one could smell the discomfort that took hold of some souls in this House. Let me just add that to whom much is given, much is expected. After hiking up road tolls by over 1000% one expects more, not less.

Let me just add that in paragraph 534 the Minister listed the Sogakope-Adidome-Ho road and the Nsawam Bypass road, among others, as having been completed. Mr. Speaker, that is palpable untruth. I have used these two roads in the past two weeks and I know they have not been completed. Indeed in paragraph 549 the Minister makes a u-turn and states that works will be continued on the Nsawam Bypass, so whom was he deceiving by the categorical assertion in 534.

YOUTH & SPORTS

In Sports, the former Minister responsible calmed tempers when she revealed that the \$11 million being Ghana's share of the money in participating in the 2010 World Cup has been deposited in the Consolidated Fund. The question is whether this lodgment will find favour with FIFA who insists that the Local FA should be independent of governmental interference. Early next year senior national football team will be participating in the Africa Cup of Nations. Pundits describe the tournament as depleted with the non-qualification of Nigeria, Cameroon, South Africa and Egypt and have tipped Ghana to win. One hopes everything is being done to achieve this. We cannot have any excuse if we do not win this time around.

The Youth front is where as a nation we have our greatest dilemma. Unemployment, especially Youth unemployment might prove to be a security scare for us. Government has not shown enough commitment to the economic empowerment of our youth. In the budget one does not see any new bold initiative.

DECENTRALISATION & COMPOSIT BUDGETING

Mr. Speaker, decentralization of central functions to lower government units has been an important consideration in sending government to the doorsteps of the citizenry. Decentralization can promote local innovation, match service provision with local preferences and achieve more equitable and prompt delivery of essential services. However, Auditor-General's report have demonstrated to us that serious capacity challenges and bottlenecks at the assemblies lead to massive corruption. For this reason, fiscal decentralization should be complemented with adequate counterbalancing structures and, above all, with adequate oversight and accountability measures to ensure that the process of decentralization particularly, fiscal decentralization, is managed optimally and to guarantee equitable access to services.

We all lament the fact that local governance must be strengthened, well-defined structures must be laid out and the capacity of persons profoundly built. Not having done that, and against the background of glaring, chronic abuse of power and misapplication and misappropriation of resources, does it make any economic sense to pump more money downstream? In an election year the obvious deduction of sending such huge quantities of resources is to empower foot-soldiers and give official anchor to impunity and corruption.

ELECTORAL COMMISSION

Mr. Speaker, the Finance Minister has stated in paragraph 880 that the Electoral Commission is to compile a Biometric Voters Register to replace the existing one, open it for exhibition, acquire Electronic Verification Equipment, and conduct Presidential and Parliamentary Elections. The Minister states in paragraph 881 that for the implementation of the above activities an amount of GH¢27,389,067 has been allocated.

What are we to make of this? Last year the EC requested for GH¢80 million for just the Biometric Registration. The Minister released GH¢50 million leaving an outstanding of GH¢30 million. Is the GH¢30 million part of the GH¢27.389 million for this year? The Electoral Commissioner himself has stated that the Verification Equipment will cost the nation \$20 million which translates to GH¢32 million. Is the GH¢ 32 million part of the GH¢27.387 million? And what proportion is going to be used to conduct the elections itself? Let us remember that it may be possible to have a re-run of the presidential elections. Have we provided for that? Certainly not, with this GH¢27 million.

However, there appears to be another allocation to the E.C. which has been hidden somewhere. In paragraph 223 of the budget statement an amount of GH¢707.5 million has been provided in the "Reserve Expenditure Vote for the payment of matching funds, judgment debts, oil lifting for security agencies, value books for MDAs and operational expenditures on elections".

Mr. Speaker, we want to know how much of this is to the E.C. We also call for immediate disaggregation of this amount for us to know what as a country we are

spending our monies on. I do not want to say that we smell a rat, a rat may be too small a creature.

NEW DISTRICTS

Finally Mr. Speaker, the Finance Minister stated in paragraph 810 of the budget statement: “As part of NDC’s commitment to deepening democracy and local development, 42 new districts have been created and GH¢1,000,000.00 as starting capital has been provided to meet their initial infrastructural needs.

Mr. Speaker as I indicated last week the constitution is succinct, unambiguous and unequivocal in Article 241(2) about who has power to redraw the boundaries of districts or reconstitute districts...the constitution provides: “.....” Clearly it is Parliament which is vested with the relevant power and not the Minister of Finance or the Minister of Local Government, it is not the NDC. The President does not have the relevant power.

So far the Minister of Finance to have said that “42 new districts have been created” without Parliament’s knowledge amounts to a clear breach of the constitution. It is a classical case of impunity.

Mr. Speaker the power which is given to Parliament is in respect of only redrawing of the boundaries of the districts which Ghana is divided into as provided for in Article 241(1). Parliament may also reconstitute the existing districts in Ghana again as provided for in Article 241(1). Mr. Speaker I dare suggest that redrawing of boundaries of existing districts cannot translate into creating new districts.

Mr. Speaker, the Minister, before ending his presentation indulged himself in serious campaign platform opera. He spoke of arresting inflation and arresting rapid depreciation of the cedi. Mr. Speaker, as a lawyer of some standing you do know that the arrest of a suspect is certainly not enough. Arrest and detention are not enough either. It is arrest, detention and initiation and successful prosecution that sees the back of suspects. So the Minister is just one step into a 4-tiered process and he has started beating his chest. However, I will not begrudge him for as our elders put it: when the one who has not purchased meat before for once purchases and brings liver home he engages in self glorification.

Mr. Speaker, I went through the manifesto of the NDC which the Minister says underpins his 2012 budget (par 3 & 6). The 11 so-called achievements that he alludes to in the budget are not captured in the NDC’s manifesto. The NDCs social contract with Ghanaians is a 26-point Agreement and I will do a roll call for members....