

## **RESPONSE BY DR. BAWUMIA TO GOVERNMENT PROPAGANDA**

*(This response was posted on Dr. Bawumia's Facebook Page - facebook.com/MBawumia)*

I have just read a statement from the Ministry of Communications purporting to respond to the issues I read at the University for Development Studies, Wa Campus concerning the propagandist claims of the current government on infrastructural investments under their administration.

### **1. Debt Figures**

What is clear to me (and confirms my long held suspicion) is that members of this government, handed the mandate to manage our destinies as a nation, do not read. Worse of all, as I said on 14<sup>th</sup> February, 2015, at a forum at the University for Development Studies, what is most unfortunate about this whole episode is the fact that the government doesn't even seem to know how much it has borrowed. I have on several occasions tried to educate the government on what the true value of their borrowing is but try as I do, it is clear the government is committed to either not reading and understanding the extent of their reckless borrowing or is only following their usual path of deceit and propaganda.

For the benefit of the people of Ghana, I reproduce my comments on this issue contained in the NPP's Response to the 2016 Budget, delivered on 2<sup>nd</sup> December 2015 and pray that this time, members of government will read and be informed.

"In the last seven years alone under this NDC government Ghana's total debt has ballooned from GH¢9.5billion to a projected GH¢99billion by the end of 2015! Of this, GH¢54 billion (\$14 billion) is external debt and GH¢45 billion is domestic debt. What is clear is that 90% (i.e. GH¢89.5 billion) of Ghana's total debt since independence has been accumulated under this NDC government between 2009-2015.

It is also important to appreciate the quantum of borrowing that has actually taken place in the last seven years to set the record straight. In US dollar terms, this NDC government has borrowed the equivalent (at the time of borrowing) of about \$37 billion in seven years!! (Table 2).

**Table 2. Dollar Value of Government Borrowing (2009-2015) - Billions**

	Total Debt (GHC)	Additional Debt (GHC)	Exchange Rate GHC/US Dollar	Additional Debt (US\$)
2008	9.5			
2009	13.2	3.7	1.42	2.61
2010	17.3	4.1	1.47	2.79
2011	26.1	8.8	1.55	5.68
2012	37.7	11.6	1.88	6.17
2013	49.9	12.2	2.2	5.55
2014	76.1	26.2	3.2	8.19
2015	99	23	3.8	6.05
Total		89.6		37.03

Contrary to what the government will have us believe, exchange rate depreciation has rather reduced the book value of Ghana's debt in dollar terms. So that even though government has borrowed the equivalent of \$37 billion in 7 years, the book value of the debt would be some \$26 billion (GHC 99 billion) by the end of 2015. It is important to understand this point because it appears that this government does not.

Take the following example. Assume that today the exchange rate of the cedi to the dollar is 1:1. If you borrow GHC100 today, it would mean that you have borrowed the equivalent of \$100 dollars and you should be able to do projects worth \$100. In a few years time if the exchange rate depreciates to 4 cedis to one dollar, then the 100 cedis you borrowed a few years ago would be worth some \$25 today. This does not however mean that you did not borrow the equivalent of a \$100 dollars initially and we should expect to see a \$100 worth of projects. You cannot suddenly claim that you actually borrowed \$25 a few years ago and so you are only to account for \$25 worth of projects. Using current exchange rates in determining the equivalent amount borrowed in the past is misleading because it ignores the value of the debt at the time it was borrowed. Using current exchange rates would underestimate the value of the borrowing because of exchange rate depreciation. We are here concerned about the value of the projects that could have been financed at the time the money was borrowed.

Giving the rate of borrowing by this government, it is likely that the total debt at the end of January now exceeds the GHC99 billion, projected for the end of 2015.

It is interesting to note that according to the Minister of Finance in his 2015 Mid-Year Review, “Ghana’s total public debt stock as at end-December, 2014 stood at GH¢79,665.5 million.....In dollar terms, the debt stock was US\$24,817.1 million, representing an increase of 3.3 percent from the end-2013 stock of US\$24,021.2 million.” (Page 24, Paragraph 79) (<http://www.mofep.gov.gh/sites/default/files/budget/2015%20Mid-Year%20Review.pdf>)

Amazingly, after adding some GHC20 billion to the debt stock in 2015 alone, the Government still wants to insist that the value of borrowing they have done, in dollar terms, has actually decreased. This exposes the deception in the method the government is applying on our debt stock, in attempt to hide the real value of monies that have accrued to them.

## 2. Capital Expenditure Numbers

One other lie told by the government in the release put out by the Minister of Communications, was the false claim that Capital Expenditure averaged 5.6 between 2001 and 2008. I doubt the Finance Ministry handed these figures to the Minister but whatever be the case, it exposes the level of incompetent and deceitful governance we have today.

The Facts

These are the Capital Expenditure to GDP figures between 2001 and 2008.

YEAR	Capital Expenditure / GDP
2001	12.8
2002	6.1
2003	8.9
2004	12.4
2005	12.0
2006	12.4
2007	14.2
2008	15.7

The source for these figures are the “IMF Ghana Article IV Country Report – August 2005” (<https://www.imf.org/external/pubs/ft/scr/2005/cr05292.pdf>) (Table 9, Page 36) and the “IMF Ghana Article IV Country Report – October 2008” (<http://www.imf.org/external/pubs/ft/scr/2008/cr08344.pdf>) (Table 5, Page 23)

The 2008 figure is sourced from the “IMF Ghana Article IV Country Report - June 2010” (<https://www.imf.org/external/pubs/ft/scr/2010/cr10178.pdf>) (Table 2A, Page 21)

It is critical as I keep saying that in matters of governance, we strive to attach the highest levels of credibility especially when this path of deceit and propaganda has landed us at the doorsteps of the IMF for policy credibility.

This data and the admission by the government today that ‘Capital Expenditure is within a 5.6% band’ confirms and vindicates my position as I have repeated over and over that this government is investing about half what the previous government invested in infrastructure.

I will repeat again that it is in fact a travesty that Ghana before the discovery of oil was spending a higher proportion of its income on infrastructure investment than after the discovery of oil and the massive increase in the debt stock.

### **3. Projects and Investment**

Reading the government’s response, it is clear that they have not added anything new to the claims they were making to which I responded on Saturday. All they have done is to repeat the same claims which have been discredited. For me, the people of Ghana remain the best judges on the issue of whether they have had their due from this government considering the unprecedented resources and opportunities they have had since they won power. After having more than 10 times the resources of the NPP through unbridled borrowing, astronomic increases in tax rates and favourable external conditions (which they did nothing to precipitate), the people of Ghana will judge if such huge resources have been invested in their lives.

I remain convinced that the people of Ghana will judge and judge well. This conviction is strengthened on a daily basis as I go round the country and interact with the people of Ghana.