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**KEY NOTE ADDRESS BY HIS EXCELLENCY JOHN DRAMANI MAHAMA, VICE PRESIDENT OF THE REPUBLIC OF GHANA AT THE 2012 CONSULTATIVE GROUP ANNUAL MEETING ON GHANA HELD ON 21 JUNE 2012 AT LA PALM ROYAL (ADAE KESSE CONFERENCE HALL) ON THURSDAY 21 JUNE**

Mr. Chairman and other Chairpersons of Conferences and Sessions

Hon. Ministers

Hon. Members of Parliament

Your Excellencies, Members of the Diplomatic Corps

Development Partners

Distinguished Guests from the Private Sector, Civil Society and Research Institutions

Friends from the Media

Ladies and Gentlemen

I recall that two years ago I stood before this same august gathering which sought to rationalize the role of ODA within the context of Ghana's imminent transition to a middle income country and the prospects of the emerging oil industry. I believe there was much uncertainty on how and to what extent our development partners would be positioned to continue to support Ghana's development in view of these pending economic gains.

Today, I am privileged to participate in this 17<sup>th</sup> Consultative Group which has moved beyond the uncertainties to deliberate on the influence our partnership will wield within the changing economic landscape in Ghana.

On behalf of the President of the Republic of Ghana, I extend a special warm welcome to you all, recognizing the influential roles you have played and continue to play in shaping the development and transformation of this country.

Gathered under the theme *“Leveraging Partnership in a transitional middle income economy for sustained economic growth”*, I expect that deliberations here will conclude with concrete steps on how we can work together in a spirit of mutual cooperation and respect to deliver on the development priorities necessary to consolidate Ghana’s middle income status and accelerated economic growth.

It is always a pleasure to join in a participatory dialogue like this that provides some retrospective account of how far we have come as a country. Such a dialogue also maps the way we will engage in the future to sustain and enhance the development results achieved.

At the last CG in 2010 – a bit ominously, we stated that the blessings of LMIC-status would mean less aid or grant, and even concessional loans. We argued strongly, while you listened, that an immediate disengagement would disrupt the austerity programme we launched in 2009 to stabilize an economy characterized by large twin (budget and current account) deficits. These deficits were not in “single-digits” at all, and, in order not to offend some “too known” economist, statistician or journalist who may be

listening to me too intently or temptingly, I must stress that I am referring to “old series” deficits.

Since then there have been significant changes and challenges in the Ghanaian economy with steady progress being made on various fronts including macro-economic management and stability, addressing poverty and regional inequality, re-focusing on health, equity in educational opportunities, accelerating investments in education, expanding energy, and accelerating agricultural productivity through rapid modernization, among others.

We agreed, at the last CG that the cost of abrupt disengagement by bilateral or multilateral donors and the reality of remaining a developing country on the ground for sometime strongly suggest that Ghana would need the fiscal space to prepare and implement a plan to make its transition to LMIC status less painful and more meaningful. The trajectory towards middle-income status is becoming clear with more prudent use and leverage of our oil and other revenues to promote and plan our development plan more carefully. Unlike the past, we are improving the linkage between longer-term plans such as the GSGDA and definite sources of funding for infrastructure and social investments. Therefore, as the theme for the current conference aptly states, now is the time for our DPs to work with us on a home-grown transition plan to realize our goal of becoming a strong middle-income country.

However, our progress has not been without challenges. What matters is how competently we have addressed these challenges to ensure a sound social and economic environment. One of the key problems we continue to face in Ghana is poverty. Despite the promise associated with becoming a middle income economy and

producing oil, many Ghanaians in both rural and urban areas still live in conditions of extreme poverty. One feature of an “oil curse”, which we are determined to sidestep, is an economy divided between rich and poor.

Ladies and Gentlemen,

Various schemes this government continues to implement, - including the School Feeding Programme, the National Youth Employment Programme, and the Livelihood Empowerment Against Poverty programme, - are all directed towards mitigating the plight of the poor and vulnerable in society. These initiatives are generating a positive impact on the lives of many Ghanaians and government will continue to explore other means to accelerate poverty reduction. For example, while some belittle the “schools-under-trees” programme, we know from the results that it provides hope and dignity for many public school pupils and students. Also, government has established SADA under Act 805 to provide a framework for the comprehensive and long-term development of the Northern Savannah Ecological Zone as a way of reducing poverty, improve livelihoods and bridge the develop gap between Southern and Northern Ghana. Therefore, we must join our efforts at all levels to tackle the tyranny of poverty in our country.

Mr. Chairman,

An indispensable element of achieving results in all aspects of our economy is the governance of the country. In cognizance of this, the government initiated a Constitutional Review Committee to evaluate the supreme law of Ghana, that is, the 1992 Constitution. The Constitutional Review Committee completed its work and submitted its final report to the President last year. Government is working to ensure that the recommendations outlined in the report will be carried out in a timely manner.

Meanwhile, Government shall continue to provide leadership in consolidating and deepening decentralization, and promoting better engagement with traditional authorities and civil society to ensure that decentralized governance becomes a significant arena where citizens fulfill their development aspirations and participate effectively. Indeed, the expansion of governance space at the traditional level to include ethnic and or religious minorities will go a long way to minimize the communal strife that is becoming common in the country.

On the macroeconomic front, I have personally been disturbed by the instability of the Cedi this year. The fiscal situation and financing needs-with its complex factors such as heightened speculation and seasonal trends (post-cocoa and festive seasons)-have tested Bank of Ghana's monetary and financial management. The Minister of Finance has already shared insights on the currency situation and, again, despite an election year, the Governor and his management as well as the Board and Monetary Policy Committee (MPC) have moved quickly to check the falling value of the cedi. Some of the measures they took have temporarily affected past successes such as the reduction in interest and inflation rates. However, they show that the Government is willing to take a broader view of the economy and will not be wedded to single macroeconomic indicators to showcase its successes.

Government supports the Bank's short-to-medium term initiatives and any structural reforms needed to manage and align monetary and financial policy to overall economic development. I want to assure you and especially the current and potential investors that the government is pursuing steps to mitigate the further depreciation of our currency. However, there is not only bad news for the economy. Our economic fundamentals remain strong as indicated in the latest IMF report from their last

mission in Ghana. We as a government are determined not to make any unplanned expenditures as has been the practice in past elections years. The cost of correction has been disruptive of the economy and also burdensome for most Ghanaians.

On investment strategy, while we want to fund each development project appropriately, our internal debt recovery policy for commercial projects will allow us channel future dwindling grants and non-concessional loans into social infrastructure projects such as schools, rural roads, rural electricity, rural water, and clinics and hospitals. In this regard, we shall take additional steps to re-engage and work with multilateral institutions such as the World Bank and OPIC to minimize country and projects risks as part of a plan to extend the maturity or length of the bonds we issue and loans we contract to finance our capital budget and specific projects. This plan will also help us to reduce the adverse impact of an increasing debt service on recurrent expenditures on goods and services.

Mr. Chairman,

The wages and salaries (or personal emoluments) bill also poses a challenge to managing the Budget and it is the direct result of implementing the single-spine pay policy (SSPP). After inheriting the SSPP in 2009, the Government took about one year to re-assess the policy prior to its implementation. Despite numerous consultations with stakeholders that caused implementation delays, some of our worst fears have materialized even as we all accentuate some positives about the policy. The positive thing about the SSPP is that it rationalizes and rewards our public service employees sufficiently and fairly for analogous work done. In turn, civil and public service employees are to reciprocate through increases in productivity and efficiency.

Therefore, Mr. Chairman, permit me to state categorically that while SSPP would result in some pay increases, it was not never designed to replace the structured and tested wage negotiation processes. Obviously, some in the labour movement and even professional classes appear to think otherwise, especially in an election year, at a time when the wage bill is getting out of proportion with capital and recurrent expenditures on other goods and services. We shall listen and respect the right to productive and fair wages negotiations for public sector workers. However, His Excellency, President Mills, has stated clearly that we should not be pushed by election year fever to over-shoot the budget, only to repeat post-election austerity programmes. The sacrifices we make in correcting the economy must be meaningful, such as the need to respond to drought and rising or falling commodity prices.

It is against this background that I also wish to repeat that, as we enter another political season, the biggest lesson we can learn from the SSPP and many unfunded pre-2009 projects such as roads is to be wary of “gargantuan’ plans and promises that do not come with definite and sufficient sources of financing by their proponents.

Mr. Chairman,

Permit me to acknowledge the role of DPs in the correction, transformation, and transition processes in the spirit of true partnership. We appreciate the decision to align the Multi-Donor Budget Support (MDBS) program to the Government’s Budget and fiscal year. This positive move will facilitate the preparation of the Budget and enhance the use of country-systems. During the last CG, we discussed the Government’s Aid Policy and DP Response. I will hope that initiatives such as “Aid-on-Budget” will begin the practical implementation of the policy initiatives. Finally, we decided to bring the BRICs into the CG and other consultative processes—a

process that requires its own consultations, I am told. We are patient for the outcome and results from this conference.

In line with the ‘Better Ghana Agenda’, this Administration is focused on key priorities for development, some of which have been outlined in the Government-Development Partner Compact to be validated later today. Among these are issues on capacity development, reducing inequality, private sector development and infrastructure, which I understand was handled in-depth during the technical discussions on Tuesday. Already, development partners are providing a lot of support in these areas. We also have private sector organizations, civil society and non-profit organizations who are partnering with government in accelerating our development efforts. I wish to sincerely thank you for your efforts and hope that you will continue to support us transform Ghana’s economy into a strong middle income country.

Mr. Chairman,

We should conclude this meeting with a clear understanding of how Government and Development Partners will work together to achieve the priorities stated in the Compact and ultimately the national development plan. A key element to this will be to build consensus on the duration of the transition and how to tailor ODA and other forms of external assistance to propel the economy to higher heights. In doing so, we should be mindful of global trends and the impact which phenomena such as the ongoing financial crisis and commodity price fluctuations can have on developing and emerging countries-or, we dare say, even developed economies.



It is my hope that all the discussions and brainstorming undertaken here over this 3-day meeting will translate into tangible development results that will cause Ghana to stand tall on the continent.

I wish to state that the role of civil society in our development process cannot be underestimated. We are happy to indicate without any uncertainty that, our engagement with civil society has been deepened in the last few years. We will continue to engage with the civil society because it is an important stakeholder and partner, with valuable input to the development process.

We do believe that CSOs must remain independent of Government and Development Partners, in order to be effective in the niche so rightly carved out for them. I would like to express Government's appreciation to CSOs and to assure them that Government will continue to engage with them on all the relevant themes as we transition into a strong middle income country.

Once again, let me on behalf of the President and the People of Ghana register our deepest gratitude to our Development Partners for the valuable support you continue to provide to our country in our quest for sustainable socio-economic development. There is a lot of work ahead and we have a shared responsibility to ensure that our interventions truly provide tangible results in-country, in line with the Post Busan agreement. We will therefore forge a renewed partnership to ensure that the economic gains we have achieved shall be sustained.

Once again I wish to thank you all.

Long Live Ghana

Long Live our Partnership

God Bless you all.