

JOB CREATION FOR ACCELERATED DEVELOPMENT – THE ROLE OF THE PRIVATE SECTOR

Chairman and Members of the University Council;

Vice-Chancellor;

Honourable Ministers of State and Members of Parliament;

Pro-Vice Chancellors;

Madam Registrar;

Provosts;

Distinguished Keynote Speaker;

Members of College Advisory Boards;

Members of Convocation;

Niimej, Naamei, Nananom;

Distinguished Ladies and Gentlemen;

Good morning and Happy New Year to you all!

1. I am grateful to the University of Ghana and to the conference organizers for the opportunity to be part of this ceremony marking the opening of the 69th Annual New Year School and Conference.
2. The New Year School since its inception in 1949 has contributed immensely to the national conversation about the enrichment of the social, cultural, economic, educational, and political lives of Ghanaians, and to our overall national development.

3. Ghana is thankful to the University for sustaining this important tradition in bringing minds together on the various economic, political and social issues to inform our nation-building. It is in performing such an important function that the Universities truly become thought leaders in society.

After 60 years of independence Ghana has not achieved the level of development that our founding fathers envisaged given our endowment of natural resources; Gold, diamonds, iron, bauxite, manganese, oil, cocoa, fertile land, water, etc. as well as human resources.

After 60 years of independence, it is clear that we have to do things differently because you cannot do the same things and expect different results. Countries such as China, South Korea, Malaysia, UAE, etc. have shown that transformation can be achieved in one generation and therefore it is possible for Ghana to do same.

4. Mr. Chairman, the theme for the year which is – *Job creation for Accelerated National Development: The Role of the Private Sector* – is very relevant at this stage of our national development. Job creation is important because of the high level of unemployment.

- High Unemployment is the key and most pressing issue of our time. In fact, it is a national security issue because the devil finds work for idle hands. Ultimately the high level of unemployment is a reflection of the underlying weaknesses in our economy. This is why the President has placed job creation as the number one priority of government. It goes without saying however that the government's

role is to put in place the enabling environment for the private sector to drive job creation.

My remarks today will focus on where we are coming from, what we have done in the past year since assuming government and where we are going in 2018 and beyond.

- The State of the Economy at the end of 2016 : We should recall that towards the end of 2016:
 - Declining economic growth. Real GDP growth was down to 3.7% in 2016 from 9.1% in 2008
 - Declining growth in agriculture and industry
 - Rising Unemployment
 - High Fiscal Deficits
 - Rising Public Debts
 - High interest rates
 - Accumulating Arrears on government obligations – The arrears validated as outstanding at the end of 2016 was GH¢3.1 billion
 - Weakening of the Banking system
 - Cancellation of teacher and nursing training allowances
 - Return to cash and Carry under NHIS
 - freeze on the hiring of Extension Officers in agriculture
 - High and pervasive taxes
 - Corruption
- Against this background, the President and the NPP had promised Free SHS, lower taxes, restoration of teacher and nursing training allowances, NHIS resuscitation, facilitate job creation, etc. At the same time the government committed in the 2017 budget to reduce the fiscal deficit from 9.3% to 6.3% of GDP. The Question was how could this be done? Many thought it was impossible, especially as revenues were not performing as expected. This was a challenge to the government.

How are we stabilizing the economy? – Expansionary fiscal consolidation. Unorthodox approach.

- Restoring Fiscal Discipline: Fiscal Consolidation
 - Government created fiscal space by capping of earmarked funds to 25% of government revenue and realigning expenditures to government priorities . This is historic. No government has been able to do this even though many have expressed the intent to.
 - Re-profiling Ghana’s public debt: USD2.25 billion cedi sovereign bonds, up to 15 year tenor, at 19.75%.
 - The government stayed current on payments to statutory funds a such as GETFUND, NHIS, DACF SSNIT, ROAD FUND, in 2017 while paying arrears inherited. Validated arrears inherited for the Statutory Funds, Capex, Compensation, and Goods and Services at the end of 2016 amounted to GH¢3.1 billion. About two-thirds of the total arrears was statutory. Out of this total, our government has paid GH¢1.45 billion in 2017.
 - In fact, in just one year we have paid almost half of the arrears accumulated by the NDC government while staying current on existing obligations.
- Moving economic management from a focus on taxation to a focus on production – 15 taxes reduced or abolished. The government:
 - Abolished excise duty on petroleum
 - Abolished levies imposed on ‘kayayei’ by local authorities

- Abolished levies imposed on religious institutions by local authorities
- Abolished the 1% Special Import Levy
- Abolished the 17.5% VAT/NHIL on domestic airline tickets
- Abolished the 17.5% VAT/NHIL on financial services
- Abolished the 17.5% VAT/NHIL on selected imported medicines, that are not produced locally
- Abolished the 5% VAT/NHIL on Real Estate sales
- Abolished import duty on the importation of spare parts
- Reduced National Electrification Scheme Levy from 5% to 3%
- Reduced Public Lighting Levy from 5% to 2%
- Reduced special petroleum tax rate from 17.5% to 15%

This scale of tax reductions has never been implemented in the 60 years of Ghana's economic history since independence.

- Monetary Discipline – The Bank of Ghana's monetary policy has been supportive of the government's policy fiscal consolidation.

- **Structural and Transformational Policies**

- Agriculture – The Planting for Food and Jobs Campaign, which is anchored on the strategic pillars - provision of improved seeds, fertilizers, dedicated extension services, also witnessed its first year of implementation with very positive results. Over 200,000 farmers benefited from the program. 1,200 agric extension officers recruited.

- **Formalization of the economy through digitalization:**

- National ID Cards– A unique identification number for all all residents of a country is critical for the governance and

progress of a country. No modern economy exists without such unique identification. Thus far, the cards are technically ready to be issued and the first card was in fact issued in September. It however became necessary to change the NIA law and the legislative instrument for the NIA law is expected to be passed by Parliament soon for mass nationwide registration to begin. National ID Card will be a first since independence.

- Digital Property Addressing – A first since independence
 - Major benefits for job creation – post office
 - Police – armed robberies, hospitals
 - E-commerce
 - Delivery businesses
 - Will be a requirement for the National ID and all government services

- Paperless Ports – first time in 60 years

- Digital Drivers licences and vehicle registration First time

Building these types of information infrastructure should also help formalize the economy, expand the tax base, and increase domestic resource mobilization to leverage private capital to support development process. Improved domestic revenue mobilization is paramount to the Ghana Beyond Aid agenda. A robust domestic revenue mobilization is also the most sustainable way to create fiscal space to finance much needed infrastructure and other developments.

- Credit Reference Bureau – lower interest rates
- Law enforcement –
- Delivery of government services

- Private sector expansion
- Jobs

- Tackling Galamsey

- Education
 - Free SHS – First time in Ghana’s history
 - Free Meals (Both boarding and day)
 - Free boarding accommodation
 - Free textbooks
 - Doubling of Capitation Grant (From GH¢4.5 to GH¢9.0)
 - Teacher Training Allowances
 - Nursing Training Allowances
 - Payment of validated teachers allowances in arrears from 2013-2016

CORRUPTION

- Corruption is an equal opportunity destroyer of nation building. It is not a partisan matter. It affects education, health, infrastructure, salaries, etc.
 - E-procurement – launched by the PPA in July 2017

- Office of the Special Prosecutor – Appointment of Martin Amidu

The message is that not even the president can protect you if you are corrupt. This again is the first time since independence that this approach has been adopted.

INCLUSION

- Development Authorities – Northern, Middle Belt, Coastal-IPEP
- Zongo and Inner City Development Fund – First time in history
- Increased the share of the DACF to persons with disabilities from 2% to 3%
- All allowances due soldiers at the various missions have been fully paid. \$39 million in arrears have also been paid
- Peacekeeping allowance increased and paid from \$31 to \$35

THE RESULTS SO FAR – AFTER ONE YEAR

- Economic growth has increased from 3.7% in 2016 to an estimated 7.9% in 2017. This is the best annual real GDP growth for the first year of any new government since 1992.

- Agriculture growth increased from 3.0% in 2016 to a projected 4.3% in 2017.
- Industry growth increased from -0.5% in 2016 to 17.7% at the end of September 2017 underpinned by increased petroleum production
- Inflation declined from 15.4% in 2016 to 11.8% in 2017
- Interest rates on the 91-day treasury bills declined from 16.8% in 2016 to 13.3% in December 2017.
- The Bank of Ghana Monetary Policy Rate saw a year-on-year reduction from 25.5 percent by end-2016 to 20 percent by end-2017. This is the largest single year reduction in the monetary policy rate since 2001 and since the onset of the Bank of Ghana's inflation targeting regime.
- Ghana's external payments position has strengthened. The trade account recorded a surplus of \$646 million (1.4% of GDP) as at September 2017 compared to a deficit of \$2.0 billion (4.7% of GDP) for the same period in 2016.
- Our gross international reserves increased from \$6.2 billion in December 2016 (3.5 months of imports) to \$7.4 billion as at 24th November 2017 (4.1 months of imports)

- The exchange rate of the cedi to the US dollar remained relatively stable with a depreciation by 4.6% in 2017.
- Ghana's sovereign credit rating has improved with Fitch ratings changing Ghana's B rating outlook from "Negative" to "Stable" while S&P changed Ghana's outlook from Stable to Positive.
- The primary balance also posted a surplus for 2017 compared to the deficit recorded in 2017.
- Ghana's debt to GDP ratio declined for the first time since 2007 from 73% of GDP in 2016 to some 70% in 2017.
- The rate of accumulation of Ghana's debt stock has also declined significantly. The annual average rate of debt accumulation of 36% over the last four years declined to 13.58% in the first nine months of 2017.
- Fiscal discipline has been restored and fiscal consolidation has taken hold. For the first time since 2006, the government of Ghana has been able to meet its fiscal deficit target notwithstanding some revenue shortfalls. The fiscal deficit target was to reduce the deficit from 9.3% of GDP in 2016 to 6.3% of GDP for 2017. The preliminary data for end December 2017 indicates that the fiscal deficit was some 5.6% of GDP

in 2017. Many doubted the ability of government to achieve the target in light of revenue challenges.

- The question that we should ask is how can a government inherit a budget deficit of 9.3% of GDP,
 - proceed to reduce taxes,
 - bring down inflation,
 - bring down interest rates,
 - increase economic growth,
 - increase the country's foreign exchange reserves,
 - maintain relative exchange rate stability,
 - reduce the debt to GDP ratio and the rate of debt accumulation,
 - pay almost half of arrears inherited,
 - stay current on obligations to statutory funds,
 - Increase and pay peacekeeping allowance for our soldiers from \$31 to \$35
 - restore teacher training allowances,
 - restore nursing training allowances,
 - double the capitation grant,
 - implement free senior high school education

and yet still be able to reduce the fiscal deficit from 9.3% to an estimated 5.6% of GDP? Quite simply, this is a remarkable achievement and this is what we mean by competent economic management.

2018 OUTLOOK

- Value Addition - Integrated Bauxite and Aluminium Development Authority -
- Transparent accounting for our natural resources exported- gold, oil, etc.
- New financing model for development: leveraging our natural resources
- Akufo-Addo Plan for Economic Transformation : Largest infrastructure investment in Ghana's history:
 - Railways – Eastern, Line, Western Line, Central Spine – Private sector driven
 - Sekondi to Takoradi (10km) completed
 - Roads and interchanges
 - Bridges
 - Water
 - Rural Electrification
- The legislative instrument for the National I.D cards is expected to be passed by Parliament soon for mass nationwide registration to begin.
- The introduction of the inter-operability of payment system in the financial sector for a more inclusive financial system. Having an

interoperable payments system between banks, mobile operators and other financial sector players enables people to make payments to anyone else in a convenient, affordable, fast, seamless and secure way with one account.

- New Payments system bill
- New Companies Act
- Insolvency Act
- Zongo Development Fund
- Development Authorities
- One District One Factory
- One Village One Dam – Northern Development Authority to issue adverts for procurement this week.
- Nation Builders Corps – 100,000 graduates
- Land Digitalization
- E-Passports and E-Visas
- Much of the focus of the Digital Address System drive in 2018 will be to integrate it with key government agencies such as ECG, Ghana Water Company, SSNIT, etc.

- Special Prosecutor commences prosecutions
- Capping of costs for construction of various structures such as classroom blocks, equipment, etc.
- Mr. Chairman, ladies and gentlemen, in conclusion, I would like to stress that at the heart of the government of His Excellency Nana Akufo Addo is the vision of a Ghana Beyond Aid. In short, government and the people of Ghana must take full ownership and responsibility for the nation's economic growth and transformation, in a new partnership with our development partners.
- We envisage a paradigm shift where trade, private capital flows, strategic political cooperation and partnership, as well as domestic resource mobilization, become the driving force of our development.
- Ladies and gentlemen, we have done it before – Ghana has always been the initiator and the Star of Africa and with the collective support and hard work of all Ghanaians, we can do it again and ensure our economic transformation and development.
- Mr. Chairman, ladies and gentlemen, I now have the distinct honour to declare the 69th Annual New Year School and Conference officially open.
- I thank you for your attention, wish you fruitful deliberations and look forward to receiving the final communique.

