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# The Role of Parliament in the Future of Ghana's Economy

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### Introduction

Ghana has struggled to maintain the impressive economic growth rate that it has experienced since the turn of the decade. However, despite ongoing inflationary pressures and considerable financial deficit, Ghana's economy is showing positive signs of recovery as the country aims to finalize a financial assistance deal with the IMF in the coming months. This arrangement, along with a recent \$7 billion offshore oil and gas contract signed by the government, is expected to restore confidence among investors.

This cross-party parliamentary delegation discussed the importance of bipartisanship in enacting successful legislation, and examined the wider role of parliament in steering the Ghanaian economy.

The meeting and question and answers session were held on the record, and the views expressed are those of the participants. The following summary is intended to serve as an aide-memoire for those who took part, and provide a general summary of discussions for those who did not.

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### Alban Bagbin MP

Bagbin began his presentation with an overview of Ghana's political and economic history. Ghana was the first sub-Saharan African country to gain independence, although since independence the country has experienced a number of military coups and regimes. The present parliament, however, is based on the 1992 constitution.

The Ghanaian economy has traditionally relied on two semi-luxury commodities – cocoa and gold. This over-dependence on two resources makes the Ghanaian economy fragile, and dependent on changing trends and commodity prices. Global economic depression directly affects the national economy of Ghana through collapses in the value of cocoa and gold. Furthermore, recent falls in oil prices have thrown anticipated revenue overboard.

International partners have made a significant contribution to Ghana's economy, but since the last election, the parliament of Ghana has encountered some difficulties with its major economic partners – with issues in terms of the release of commitments and an ensuing withholding of funds. This has also had an effect on the robustness of the economy.

Since the approval of the 1992 constitution, domestic governance has improved. Ghana now has a strong rule of law and an accountable government, with institutions tackling corruption from within. Parliament as an institution has performed well, and has grown from strength to strength.

However, the Ghanaian parliament also has to manage a number of constitutional discrepancies. According to Chapter 6 of the constitution, parliament holds a legislative role in the management of economic and social development policies – and this role can be difficult to define. Article 108 of the constitution notes that parliament depends on the executive in initiating a bill and bringing it to the house, which reduces parliament's power. Although the ultimate legislative power is held by parliament, under Article 106 in the constitution, the power to make laws must be 'assented to by the President'.

On the other hand, regarding issues of taxation and finance, articles 174–184 of the constitution grant parliament enormous powers. These include the powers to impose taxation and check on expenditure of

taxes. Committees of scrutiny, both select and standing, have revealed much about the executive. The Public Accounts Committee has conducted live public proceedings at which public officials are interviewed and examined.

Parliament has a role in the future economy of Ghana. Reviewing standing orders and rules of the house would enhance this role. Committees mostly focus on the short and medium term, and are not agreed on any long-term vision of ways in which Ghana could diversify its economy. One sector that could improve is tourism. If Ghana is well marketed in this respect, it could earn foreign exchange. Creativity and innovation are other sectors that could be developed, perhaps with the aid of the Business Committee. A distinction can be made between good governance and smart governance – the latter being governance that is able to think outside the box and provide solutions. Such smart governance can overcome the difficult impacts of the global economy on Ghana's national economy.

The parliament of Ghana has strengthened powers of scrutiny. The powers of the press are in the hands of the house. Constitutionally, parliament has the power; in practice, however, parliament is often squeezed out of funds. This needs to be addressed; parliament should take control of budgetary requirements and deliver the dividends of democracy to the people.

## Summary of Questions and Answers

### Questions

Regarding funds being squeezed out of the hands of parliament, who approves the parliamentary budget? Is it the finance minister?

How has parliament engaged with differences it has had with international partners?

What has changed in parliament in response to the recently found economic potential of extractives in Ghana?

How has parliament dealt with Ghana's high public debt?

### Alban Bagbin

Parliament approves its own budget. However the finance minister oversees the process of releasing the budget and often claims that funds are not available. When Ghanaian parliamentarians push this issue, public opinion can turn against them – with a view that parliamentarians are always asking for money. This negative image influences parliament's global bad perception and becomes in itself a constraining factor.

Regarding differences with international partners, recent engagement in parliament has led to some developments on the issue of deficit finance. Ghana has for a long time been bedevilled by corruption. Since 2009 parliament has developed an anti-corruption action plan, which was approved in 2014. Ghana has steadily improved in Transparency International's Corruption Perceptions Index every year, most recently scoring 48. Despite this, the focus on corruption has led to misperceptions that this is in fact increasing in Ghana. Scandals can also inform the perception of increasing corruption. Development partners buy into this perception, and do not release funds. This leads to a worsening of the deficit situation, as without funds parliament is forced to borrow domestically.

Oil production was initially forecast at 100,000 barrels per day. Parliament has created the public oversight committee to ensure proceeds are prudently applied, with strict rules on how money is to be spent. This entails annual reporting of receipts and utilization of money to the public. Ghana is cited as one of the best countries globally in terms of potential proceeds from oil.

In the context of the debt situation, however, Ghana has been unsure in terms of commitment and utilization, with utilization capacity currently around 40 per cent. Furthermore, the recent fall in the global oil price has impacted the current budget; because of an overestimation in pricing forecasts the government has now informed parliament that there will be less revenue than stated in the budget.

### **Irene Naa Torshie Addo**

A cutback on imports to Ghana would contribute to addressing the problem of Ghana's public debt. Supporting domestic agriculture and increasing employment would help the current situation. Ghana's borrowing would not have been questioned if it had received the expected receipts from oil. Intentionally stopping imports is something to consider, especially on simple goods such as rice. Boosted exports would also provide a solution. Borrowing is necessary for roads and other amenities essential to the functioning of the country. The current electricity problem in Ghana was an unseen planning issue that is now a central problem for the economy.

### **Mohammed Mubarak Muntaka**

The situation of high public debt is an issue of oversight. Every election year there is public overspending. There are a number of ways in which parliament is responding to Ghana's high public debt. State public enterprises are having loans ring-fenced against themselves. This new loan strategy means that the sector pays for its own loan, not the public. Parliament is also managing the issue of ghost names receiving public sector wages.

### **Mary Salifu Boforo**

With regard to agricultural issues and the country's dependence on cocoa, the Export Development and Agricultural Investment Fund was established to provide financial resources and assistance in the development of agriculture exports. Identifying suitable commodities for different regions in Ghana is crucial to diversifying agriculture. Ghana recently launched a campaign of 'eat what you grow and grow what you eat', which, if followed, would improve economic growth. Rice has potential as a national export.

### **Alban Bagbin**

Electricity coverage in Africa averages at 25 per cent. In Ghana the average is 74 per cent, second only to South Africa. However, West Africa is a high-risk area because of crises and conflicts, and this directly affects the economy of Ghana. Another challenge is that Ghana is considered to be a lower-middle-income country, and so is not entitled to concessional loans. Commission loans contribute to the bloating of public debt; urgent demands to utilize oil funds have meant quick loans on bad terms in order to fund relevant infrastructure. This has also contributed to the bloating of public debt. A World Bank and IMF bailout could grant Ghana's economy with a clean bill of health. Nevertheless, there are still investors knocking at Ghana's door.