



PRESS STATEMENT

For Immediate Release

August 11, 2023

RE: RESPONSE TO PARLIAMENT'S MINORITY GROUP ON BANK OF GHANA'S 2022 PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS

The NDC Caucus in Parliament has noted with dismay a press statement from the Bank of Ghana dated 9th August, 2023 which purports to respond to our press conference on the above-subject held on 8th August, 2023.

In the said press statement, the Bank of Ghana attempts to shamelessly justify its recklessness and mismanagement which resulted in the huge losses of GHS60.8 billion and the negative equity of GHS55.1 billion it recorded in the year 2022.

As a matter of fact, the Bank of Ghana's unsigned press statement, is full of deliberate distortions and flimsy justifications which do not address the serious matters that were raised in our Moment of Truth presser last Tuesday.

The Minority caucus hereby responds as follows:

1. The referenced Bank of Ghana's statement does not address the most fundamental issue which has to do with the printing of money by BOG for the Akufo-Addo/Bawumia/NPP government in 2021 and 2022 in clear contravention of Section 30 of the Bank of Ghana (Amendment) Act, 2016 (ACT 918). Indeed, throughout the statement, BOG does not and could not have offered any reasonable justification for printing a whopping GHS35 billion in 2021 and GHS42 billion in 2022 to finance the Akufo-Addo/Bawumia/NPP government, in clear breach of their governing law.

It is an indisputable fact, that the amount of monies printed by BOG for the reckless Akufo-Addo/Bawumia government both in 2021 and 2022 far exceeds the legally acceptable threshold of 5% of the previous fiscal years' total revenue.



This the Bank did without cognizance of the legal duty imposed on the Governor of BOG to inform the Minister of Finance, who is required upon notification from the Governor of BOG to notify Parliament of the attainment of the 5% threshold and/or the setting of a new limit of government's borrowing.

Indeed, the facts show that BOG acted as law unto itself by willfully engaging in the illegal printing of monies to finance the recklessness of the Akufo-Addo/Bawumia/NPP government both in 2021 and 2022.

This illegal conduct of the Governor of BOG constitutes a criminal offense under section 67 of the Bank of Ghana Act and cannot be wished away by the flimsy justifications mounted by the Bank in the multiple press statements they have issued in the last couple of days.

As a matter of fact, contrary to claims by the Governor of the Central Bank and his deputies that they were committed to promoting a cash-lite economy, they have been printing higher denominations of new GHS100 and GHS200 notes.

This together with the large injections of money into the economy caused currency-outside-banks to increase from GH¢14 billion in 2019 to GH¢31.4 billion by 2022, representing an increase of over 124%.

Strangely, while the BoG kept increasing its policy rate and undertaking these injections at the same time, they knew very well that their actions could spike inflation and result in the Bank incurring significant costs.

As a direct consequence of the illegal printing of monies by the Bank of Ghana, the rate of inflation in the country spiraled to hyper levels last year, when Ghana recorded a record-high inflation rate of 54.1% in December 2022.

It bears reminding the Bank of Ghana that according to a recent World Bank report, this hyperinflation which was mainly occasioned by their recklessness and mismanagement, pushed over 850,000 people into poverty.



It is therefore totally irresponsible for the managers of the Bank of Ghana to conveniently ignore these serious legal infractions which have brought untold hardships on Ghanaians and rather engage in flimsy justifications and needless equalizations.

2. Secondly, on the very important issue of the illegal write-off of about GHS48 billion debt owed by the government to the Bank of Ghana, the explanation canvassed by the Central Bank in its statement of 9th August, 2023 is untenable, as it has no legal basis whatsoever.

The Bank of Ghana ought to know, that the mere reference to Government's intention to engage in a domestic debt exchange program (DDEP) as communicated by the Finance Minister in the 2023 budget statement to Parliament, does not and cannot justify the bank's breach of section 53 of the Public Financial Management Act, 2016.

For emphasis, a mere declaration of intent to Parliament by the government to engage in debt restructuring does not amount to a resolution or approval by Parliament for BOG to write-off public funds. Neither does the IFRS accounting standard referred to by the Bank of Ghana permit the writing-off of public funds without Parliamentary approval.

We wish to state unequivocally for the records, that at no point has the Finance Minister presented a report to Parliament informing the house of the attainment of the 5% borrowing threshold or the setting of a new limit of government borrowing as required by section 30 of the Bank of Ghana Act. Nor has the Finance Minister sought the approval of Parliament for BOG to write-off any public funds, as required by section 53 of Public Financial Management Act 2016 (Act, 918).

The Bank of Ghana must do the needful by immediately reinstating the illegally written off liability of Government and stop the baseless justifications they are mounting.

3. It is instructive to note that, the Bank of Ghana has for the first time admitted that Ghana's present economic malaise has been accessioned by a "culmination of fiscal overruns and debt distress" which resulted in Ghana losing access to both domestic and international markets, with its attendant credit rating downgrades, high currency depreciation, hyperinflation among others.

It is worthy of note, that for the first time, the Governor of the Bank of Ghana has effectively confessed, that COVID-19 and the Russia Ukraine war are not the main causes of our



present economic woes as a country, but rather “fiscal overruns and debt distress” starting from 2019.

This confession by the Bank of Ghana, confirms the NDC’s long-held view that the economic mess we have on our hands is the product of the reckless borrowing and expenditures of the Akufo-Addo/Bawumia/NPP government.

Sadly, instead of advising the government to embark on the needed fiscal reforms and adjustments, the Bank of Ghana confesses that they decided to fund the recklessness of the government by engaging in the illegal printing of monies for the government, part of which they have illegally written off without recourse to Parliament.

The managers of the Bank of Ghana must recognise that the economic difficulties it alludes to in its statement of 9th August, 2023 are all self-inflicted and cannot be reasonable justification for the palpable illegalities they have engaged in and the unprecedented mess they have created.

4. Additionally, we wish to make the point, that none of the explanations put forward by the Bank of Ghana in its press statement of 9th August, 2023 can rationalize or justify the outrageous operational expenditures they engaged in 2022, as reported by their Auditors in the 2022 Annual Report and Financial Statements of the Bank.

We maintain, that despite the high rate of inflation and currency depreciation recorded last year as a result of the recklessness of BOG and the Akufo-Addo/Bawumia/NPP government, it was unconscionable and unacceptable for BOG to have spent a staggering GHS131.6 million on vehicle maintenance; GHS67.9 million on computer-related expenses; GHS97.4 million on foreign and domestic travels; GHS32 million on communication expenses; and GHS357.9 million on banking supervision, in 2022 alone.

We say so because the severe economic difficulties the nation has been plunged into by the Akufo-Addo/Bawumia government with the abetment of BOG, calls for prudence and austerity by all state institutions including the Central Bank.

It is totally reprehensible, that the fees of the very Directors who have supervised this mess were increased by about 80% in the year 2022 alone.



5. Even more bizarre is the contrived justification for the new BOG head office which is costing the taxpayer a colossal \$250 million (GHS3 billion) at this time of excruciating hardships for the nation.

The excuse that the current Bank of Ghana Head office is not earthquake resistant is most ridiculous to say the least.

We need not remind the Bank of Ghana that previous Governors and Directors of the bank maximized the operations and profit of the bank from that same old facility by deploying more reasonable options of relocating aspects of the bank's operations to the Cedi House and another facility of the Bank on the Spintex Road.

The question BOG must answer is that; if at the time the Bank of Ghana recorded successive years of profit under NDC/Mahama government (2012-2016), the managers of the bank did not consider a new office complex an urgent priority but rather invested in the construction of the BOG hospital to support the healthcare needs of the country, how can BOG prioritize a new \$250 million dollar office complex at a time it has recorded an unprecedented loss of GHS60.8 billion and a negative equity of GHS55.1 billion?

It is instructive to note, that the cost of the ill-timed new head office complex the BOG is rapidly putting up is four times the cost of the ultramodern Ecobank Head Office building and six times the cost of Kempinski hotel in Accra.

In fact, our conservative estimates show that the cost of the new head office complex the BOG is putting up can build at least, 3,750 new six (6)-unit classroom blocks to expand access to education or at least 3,500 CHP compounds to improve the access to health care delivery in the country.

It is also instructive to note, that the cost of the new Bank of Ghana head office complex is more than the capital expenditure allocation of the Ministry of Roads and Highways and the Ministry of Transport put together.

Clearly, the outrageously expensive new head office complex of BOG is a misplaced priority. There can be absolutely no justification whatsoever for this profligacy at a time the Bank of Ghana must be concerned about its immediate recapitalization.



6. In the BOG press release dated August 9, 2023 the Governor stated that “ This financial outcome has very little implication for the operations of the Bank of Ghana as supported by evidence from other Central banks”.

This statement is completely erroneous and must be treated with utmost contempt. The truth of the matter is that the Central banks BOG is referring to, did not underwrite the insolvency or bankruptcy of their Governments. Neither did they violate their governing laws with impunity as BOG has done. Hence, they would have space to absorb temporary losses unlike BOG.

The unprecedented losses incurred by BOG counts for various reasons and must not be taken lightly at all.

The BOG must understand that losses can reduce its gravitas and authority in supervising the financial sector. Also, losses can limit its ability to engage in effective monetary operations and impair its ability to use moral suasion in the discharge of its mandate.

7. In their press statement of August 1, 2023, BOG referred to a statement by the external auditors that “even though BOG would have a significant negative equity based on the huge impairment from 2022, structures are in place to ensure that the BOG remains policy solvent and well able to deliver on its primary mandate”.

This is clearly a misleading statement because it assumes that government would be able to recapitalize BOG over time and that the achievement of macroeconomic stability would in turn restore policy solvency to BOG.

As BOG itself stated, “the inability to cover costs and build sufficient buffers over the long term may require capital injection from the government which can undermine its independence and credibility of monetary policy and also affect public confidence in the Central bank’s operations”.

We must be mindful of government’s fiscal difficulties, hence the possibility that it may now be able to recapitalize BOG any time soon.



Also, there could be exogenous shocks that can impact the economy going forward which can result in macroeconomic instability and a continued depreciation of the cedi, for which BOG could experience huge losses again.

Therefore, the assessment of the External Auditors that the Central Bank will continue to remain policy solvent and discharge its mandate effectively should not be taken as a guarantee at all.

Again, the impression should not be created as though BOG's source of funding its operations is infinite. As BOG itself stated in its statement dated August 1, 2023, "a Central bank policy solvency is the ongoing ability to fund and implement operations in line with the policy aims for which it has independent responsibility without recourse to the government. Therefore, policy solvency requires sufficient realized revenues to cover costs and to build longer-term capital reserves allowing for independent and appropriate policy decisions".

8. Again, in their press statement dated August 1, 2023, BOG engaged in some unnecessary equalization by referring to other Central banks (not its peers) that have operated with negative equity. It also raised the issue of whether there is a difference between insolvency and negative equity; and, whether other Central banks (again not its peers) made losses in 2022.

The fact remains that the countries cited by BOG are all advanced industrialized countries with different economic structures.

Moreover, those countries did not finance their respective governments excessively, as BOG has done since 2019. Nor did they underwrite the insolvency of their governments like BOG has done.

BOG should rather pay heed and listen to criticisms and stop the window dressing of the dire straits it finds itself in. BOG should accept that the Bank is at a historic low and request immediate help to coerce government to prioritize re-financing the Bank as a matter of urgency.

CONCLUSION

There is no gainsaying the fact that, the Governor, his deputies and directors of BOG have compromised their independence and made their continuous stay in office untenable.



Their failed attempt to cite non-best practice as justification for their recklessness and mismanagement is most irresponsible to say the least, and yet another reason why they should pack out of the Bank of Ghana immediately

The fate of BOG now hangs solely on the ability of the bankrupt Akufo-Addo/Bawumia/NPP Government to recapitalize it.

In fact, it will take the nation more than 20 years to fix the mess that the current managers of BOG have created and move the bank from its current negative GHS55.1 billion equity to positive equity.

There is an urgent need for BOG's internal operations to be reviewed to ensure that no losses would be posted or repeated this year.

The Governor, his deputies and entire Board have failed the nation and must resign without delay to begin the process of saving the BOG.

Enough is enough!

END

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MINORITY LEADER**

THURSDAY, AUGUST 10, 2023
ACCRA