



www.giffinsightjournal.org ; www.giffghana.com

Research Article

Ghana's Economic Crisis: The Twin Brothers Effect

Dr. Asravor Richard Kofi

Senior Lecturer Ghana Communication Technology University (GCTU)

E-mail: ark2g3@gmail.com / ark2g3@yahoo.com

Tel: +233-(0)246519893

Abstract

The Covid-19 pandemic and the Ukraine-Russian are important global happenings that are affecting all economies. Whilst developed economies have developed the shocks to resist the grave impact of these "twin brothers", developing economies, especially those in Sub-Saharan Africa are bearing the brand of these brothers working together. Even among, the Sub-Saharan countries, some countries have developed "shock absorbers" to withstand the dire impact of the Covid-19 pandemic and the Ukraine-Russian war. In Ghana, literature suggests that prior to the Covid-19 pandemic, Ghana's external and domestic debt was on the trajectory of weak sustainability due to the government's appetite for borrowing from the international market and the shift towards borrowing from the domestic market which was crowding out private firms from the local financial markets. The World Bank, country director optimistically cautioned the government over its debt situation and the incessant hunger for borrowing at sometimes outrageous interest rates. According to the Ministry of Finance and Economic Planning, Ghana's external and domestic debt as at the end of 2017 stood at 75,777.56 million Ghana Cedis and 66,769.08 million Ghana Cedis respectively, but by 2020 the external and domestic debt was 141,796.83 million Ghana Cedis and 149,833.89 million Ghana Cedis respectively.



DR. ASRAVOR RICHARD KOFI

Senior Lecturer

Ghana Communication Technology University (GCTU)

Tel: +233-(0)246519893

E-mail: ark2g3@gmail.com / ark2g3@yahoo.com

GHANA'S ECONOMIC CRISIS: THE TWIN BROTHERS EFFECT

by Dr. Richard Asravor

The Covid-19 pandemic and the Ukraine-Russian are important global happenings that are affecting all economies. Whilst developed economies have developed the shocks to resist the grave impact of these "twin brothers", developing economies, especially those in Sub-Saharan Africa are bearing the brand of these brothers working together. Even among, the Sub-Saharan countries, some countries have developed "shock absorbers" to withstand the dire impact of the Covid-19 pandemic and the Ukraine-Russian war.

In Ghana, literature suggests that prior to the Covid-19 pandemic, Ghana's external and domestic debt was on the trajectory of weak sustainability due to the government's appetite for borrowing from the International market and the shift towards borrowing from the domestic market which was crowding out private firms from the local financial markets. The World Bank, country director optimistically cautioned the government over its debt situation and the incessant hunger for borrowing at sometimes outrageous interest rates. According to the Ministry of Finance and Economic Planning, Ghana's external and domestic debt as at the end of 2017 stood at 75,777.56 million Ghana Cedis and 66,769.08 million Ghana Cedis respectively, but by 2020 the

external and domestic debt was 141,796.83 million Ghana Cedis and 149,833.89 million Ghana Cedis respectively.

An examination of Ghana's fiscal indicators and economic conditions suggests that the country is heading in the wrong direction. The high rate of alleged and reported cases of corruption and the free falling or depreciation of the Ghana Cedis, add to the ballooning cost of living due to the high inflation rates are all signs that something somewhere is definitely wrong. Of focus in as much as the Covid-19 pandemic and Ukraine-Russian war are important factors, we cannot attribute all these happenings to these "twin brothers".

The high rate of inflation though largely imported relates to basic food and food products, such as rice, bread, and water, among others, has everything to do with the falling Ghana Cedis. The appreciation of the international trading currencies against the Ghana Cedis is making importers worse off than better off.

As an import-dependent economy, the increased demand for foreign currencies by Ghanaian businesses has led the Ghanaian currency to depreciate and increase the cost of imported goods. As most of the imported goods are intermediate, the high cost of import has resulted in the

high cost of production, high inflation, and in most cases, businesses either shutting down or laying off workers to survive. After all this gloomy picture, the question is, "And So what"? The way forward is the agricultural sector. First, we must disabuse our minds, especially, the minds of the youth that agriculture is for the uneducated and low-income individuals. The school farm systems should be introduced whilst punishment for recalcitrant students should not be agriculture focused. Commercialization of agriculture should be encouraged and given incentives to individuals interested in taking farming as full-time employment. Whilst encouraging agriculture, it is important to also reduce the post-harvest loss associated with agriculture and encourage small-scale agro/production companies in Ghana. Secondly, the country should move away from import dependency to import substitution. Thus, producing more of the goods that would have otherwise been imported as well as producing goods in an efficient manner. The efficiency will lead to lowering the waste associated with the production. This will also imply that the agriculture value chain needs further improvement as its input will serve as an intermediate good for industries that will be built in the future.

The establishment of industries will help curb unemployment and reduce the dependency on foreign exchange. Whilst ensuring import substitution it is also important that we disabuse the minds of Ghanaians that produce by Ghanaian entrepreneurs are inferior to those imported. In order to address issues of corruption, my ideas are to cut down the red-tapism associated with many government businesses while empowering the citizens with relevant skills to fully participate in governance and report any issue of corruption. There is the need to resource anti-corruption agencies with the power to prosecute offenders irrespective of their party colour and political affiliations.

Finally, there is the need for the government to be fiscally disciplined by reducing the high appetite for borrowing but rather courage production and manufacturing. Thus, increasing production implies designing policies that are aimed at encouraging businesses to invest and grow.