

Republic Of Ghana

THE BUDGET STATEMENT

AND

ECONOMIC POLICY

Of the

GOVERNMENT OF GHANA

For the

2001 FINANCIAL YEAR

presented to

Parliament

on

Friday, 9th March 2001

By

HON. YAW OSAFO - MAAFO

Minister of Finance

On the authority of

HIS EXCELLENCY JOHN AGYEKUM KUFUOR

President of the Republic of Ghana

TABLE OF CONTENTS

[SECTION ONE: INTRODUCTION](#)

[SECTION TWO: ECONOMIC PERFORMANCE IN 2000](#)

GDP - OVERALL GROWTH

CONSUMER PRICE DEVELOPMENTS

FISCAL DEVELOPMENTS

BALANCE OF PAYMENTS DEVELOPMENTS

EXCHANGE RATE

MONETARY DEVELOPMENTS

GHANA'S DEBT

[SECTION THREE: REVIEW OF EXPENDITURES AND](#)

[PERFORMANCE OF SECTORS IN 2000](#)

ADMINISTRATION SECTOR

ECONOMIC SERVICES SECTOR

INFRASTRUCTURE SERVICES SECTOR

SOCIAL SERVICES SECTOR

PUBLIC SAFETY SECTOR

POVERTY REDUCTION

[SECTION FOUR: MACROECONOMIC PROGRAMME FOR 2001](#)

THE BUDGET AND FINANCIAL PROGRAMME FOR YEAR 2001

RESOURCE ALLOCATION FOR 2001

BALANCE OF PAYMENTS OUTLOOK

MONETARY OUTLOOK FOR 2001

GHANA'S DEBT OUTLOOK

SECTION FIVE: SECTORAL RESOURCE ALLOCATION FOR YEAR 2001

ADMINISTRATION SECTOR

ECONOMIC SERVICES SECTOR

INFRASTRUCTURE SERVICES SECTOR

SOCIAL SERVICES SECTOR

PUBLIC SAFETY SECTOR

SECTION SIX: POLICY INITIATIVES FOR 2001

PUBLIC FINANCE MANAGEMENT

DIVESTITURE AND THE DIVESTITURE

IMPLEMENTATION COMMITTEE (DIC)

FINANCE AND MANAGEMENT AUDIT

TAX RELIEFS

REVISION OF CORPORATE TAX RATES

POVERTY REDUCTION

LOAN RECOVERY

ENCOURAGING PRIVATE SAVINGS

HALT ON CONTRACT APPOINTMENTS

PROJECT EXECUTION

GOVERNMENT ACQUIRED LANDS

THE GHANA AIDS COMMISSION

PRIVATE SECTOR POLICIES

SMALL BUSINESS SERVICES

SPECIAL INCENTIVE FOR VALUE ADDED PROCESSING

OF COCOA AND GOLD

REVENUE ENHANCING MEASURES

REVENUE AGENCIES (GOVERNING) BOARD

STREAMLINING PROCEDURES FOR CLEARING GOODS

FROM THE PORTS

IMPOSITION OF VAT ON IMPORTED PHARMACEUTICAL

PRODUCTS

REVIEW OF FEES AND CHARGES

APPOINTMENT OF A GAMES COMMISSIONER

REVIEW OF TAX SYSTEM

WIDENING OF TAX BASE

AIRPORT TAX
ESTABLISHMENT OF TAX COURTS
TAXES ON PROFESSIONAL PRACTICE
DIVIDEND PAYMENT
EXEMPTIONS
IMPORT DUTY ON MATERIALS FOR THE MANUFACTURE, PROCESSING OF OR
PROSPECTING FOR TIMBER AND
NATURAL PRODUCTS
OTHER REVENUE ENHANCING MEASURES
PUBLIC PROCUREMENT REFORM
FINANCIAL SECTOR
OVER-AGED VEHICLES
NATIONAL RECONSTRUCTION LEVY (NRL)
COCOA INDUSTRY
BONUS PAYMENTS TO FARMERS
MASS SPRAYING OF COCOA FARMS
IMPROVEMENT WORKS ON SELECTED COCOA ROADS

[SECTION SEVEN: CONCLUSION](#)

[SECTION EIGHT: APPENDIX TABLES](#)

SECTION ONE: INTRODUCTION

1. Mr. Speaker, I beg to move that this House approves the Budget for the year 2001.
2. Mr. Speaker, I deem it a great personal honour that His Excellency President John Agyekum Kufuor, has entrusted me with the privilege of presenting this historic first Budget and Economic Policy Statement of the President, and of the new administration of the New Patriotic Party. This landmark Budget provides us with an opportunity to lay the foundation for re-launching macro-economic stability, and creating a viable and sustainable environment that will signal to the business community that Ghana is ready to do business with the world.
3. Mr. Speaker, His Excellency the President, in both his Inaugural and Sessional addresses, promised that his government envisions establishing a new Golden Age for the private sector. The government of the New Patriotic Party which traces its political lineage to the liberal democratic tenets of the Danquah-Busia tradition, has, over the past half century, anchored its political and economic vision on respect for human rights and the operation of a

liberal and market-based economy. The NPP, therefore, envisages an economy where the production and distribution of goods and services will be principally the business of the private sector. This new production arrangement will be anchored on a new robust collaborative partnership between a focused but strong public sector and a vibrant private sector. This is the only way we can ensure the realization of the Golden Age for the Private sector in this era of Globalisation, and the new rules-based international trading system under the World Trade Organisation (WTO).

4. The 2001 Budget aims at laying the foundation for a robust economic growth with the private sector as the main agent for wealth creation. His Excellency the President, envisions the private sector as the principal source of economic growth, the generator of employment opportunities, and the creator of the resources wherewithal for social progress.
5. Mr. Speaker, in order to lay a solid foundation for the economy, all Ghanaians must be prepared to make some sacrifices. This Budget is also testimony of our determination as a people to make the necessary sacrifices in order to build a national economy that can and will perform at a higher level of international competitiveness. The business community is being invited to make special contribution so that we can address the structural imbalance in public finances that has led to the crowding out of the private sector from the available commercial credit and denied them access to affordable credit for productive investment.
6. The crux of our economic difficulties is that our expenditures are more than our revenue with debt service being our single largest expenditure item. Personnel expenditures and debt service alone eat up about 75% of our revenue. Huge foreign and domestic debts stare us in the face. This means we have very limited financial wiggle room. But we have to cut our coat according to the size of our cloth. The medicine that will restore health to our ailing economy requires that we reduce expenditures and increase revenues. We have introduced various measures in this budget to achieve these. This we must do.
7. We have initiated many revenue enhancing measures to improve drastically the revenue from CEPS, IRS, the VAT Service and the Department of National Lotteries and we expect the management and staff of these revenue agencies to respond promptly and positively.
8. As you are aware, Mr. Speaker, the situation we inherited was a fragile economy, which manifests itself in excessive domestic and external debt, high inflation, weak currency, excess liquidity in the system and high unemployment. Mr. Speaker, according to the Central Bank, at the beginning of the fourth quarter of year 2000, the Central

Government account with Bank of Ghana showed an overdrawn position of 3.0 billion and by the end of December 2000, the overdrawn position was about 900 billion. We must fight inflation at all fronts.

9. Mr. Speaker, the political centrality of our concern for the plight of the average worker, is also demonstrated in this Budget. As I said earlier, sacrifices are necessary while we are grappling to get a handle on the actual order of magnitude of the economic crisis within which we find ourselves. We have frozen all government expenditures, with the exception of wages and salaries and their related items, at the level of the year 2000 outlays. We intend to come to our colleagues in this august house after June 2001, when we expect to have a better appreciation of the finances and obligations of the state, so that together we can undertake a review of the Budget and bring it to more realistic levels. This budget must therefore be viewed by the House and our development partners as an interim budget.

10. In spite of the sacrifices being demanded of all sections of our society, we have deemed it imperative to come up with a package for creating employment opportunities for the youth. The package combines employment activities that are productivity enhancing and also aims at improving the environment and restoring our natural resource heritage. Mr. Speaker, the projects involve the mass spraying of our cocoa farms in collaboration with the Ghana Cocoa, Coffee and Sheanut Farmers Association, and the re-forestation of our fast depleting forests.

11. Mr. Speaker, the high cost environment in which the private sector has operated for so long will be transformed into a competitive and attractive arena for doing business. His Excellency President John Agyekum Kufuor has promised a government of "zero-tolerance" for corruption of all types; be it of grand or petty dimension, by high level or low level functionaries, in the private or public sector domain. We intend to reduce the cost of doing business in Ghana in order to make our country an attractive destination for foreign investment, both direct and portfolio investment through the Ghana Stock Exchange.

12. Mr. Speaker, the new administration has inherited economic and financial crises of serious dimensions. The actual order of magnitude still eludes us. There is a critical lack of adequate and reliable data on the state of the national economy. Public finances are in chaos. Over the past two years, the NDC government failed systematically to meet performance benchmarks and policy requirements agreed upon as conditions for collaboration

with our international development partners. In order for the NPP administration to put together a realistic action programme for attaining the national quest to re-establish macro-economic stability and re-establish credible and sustainable policy framework for co-operation and development, it is imperative that we be given room to operate. We need to use the first six months of our administration to get a handle on the problem. This we intend to do by undertaking an in depth strategic audit investigation into the actual state of our finances, in order to form a realistic assessment of where we are and where we have been. This strategic audit will help us ascertain the broad orders of magnitude of the state of public finances, review the existing development strategies and policies, so that we can forge a strategy for the way forward.

13. The strategic audit, which is underway, is to facilitate our efforts at coming up with an action framework that can form the basis for establishing a transparent and sustainable policy framework for growth and reduction of poverty in a stable economic environment. In this effort, we will need the cooperation and support of our international development partners. Of strategic importance is the inflow of foreign direct investment to support the Ghanaian private sector in joint ventures to make the private sector a genuine engine of growth for the national economy.

14. Mr. Speaker, we intend to design our own strategy for growth and then invite our development partners to buy into our vision, and help us realize our goals. Development policies cannot and should not become ends in themselves. Policies are only the means for attaining the good life for our people.

15. Mr. Speaker, the challenges facing the country are daunting. But there is an air of liberation and a new sense of hope and urgency to address the problem of fighting poverty. The fight is principally the responsibility of Ghanaians. Others can only supplement our effort and sacrifice. Mr. Speaker this is the challenge the new government of His Excellency President John Agyekum Kufour, and of the NPP have started addressing with this first budget of the year 2001.

16. The aim will be, in the long-run to make the economy solid and credit worthy, make businesses flourish and able to employ and sustain labour, bring our education back to its former glory with students attaining heights that used to make Ghanaian schools the envy of the continent and indeed the whole world.

17. Mr. Speaker, today we are sounding the clarion call to all Ghanaians in public and

private sectors, to be ready to put our house together and in order. It is also a clarion call to the business world that Ghana is ready to do business in full transparency in the internationally competitive era of globalisation.

[return to top](#)

SECTION TWO: ECONOMIC PERFORMANCE IN 2000

18. The year 2000 was a difficult year for our economy as internal and external problems culminated in a resurgence of domestic inflation, steep and an unprecedented depreciation of the Cedi against the major currencies and weak macroeconomic fundamentals.

In addition, Government's projected inflows of project grants turned out to be too optimistic. Provisional figures show that the inflows of project grants was about a third of what was estimated.

19. The continued depression of the price of primary commodities on the world market constrained the country's foreign exchange earning capacity. This led to acute shortage of foreign currency, resulting in the Cedi depreciating massively against the major currencies at the Central Bank. Foreign currency deposits with the commercial banks increased by 95.8 percent between 1999 and 2000 mainly as a result of the ailing cedi.

GDP - Overall Growth

20. Provisional estimates of the country's Gross Domestic Product for year 2000 indicate a growth rate of 3.7 per cent which is 1.3 percentage points below the targeted growth rate of 5 per cent for the year and 0.7 percentage points lower than the growth performance achieved in 1999. Similar to the pattern of growth over the last three years, the services sector performed fairly strongly at 5.4 per cent during the year followed by the industrial sector with a growth rate of 3.8 per cent while the agricultural sector recorded a less than expected growth rate of 2.1 per cent as against the 3.9 per cent achieved in 1999.

Agriculture

21. As in previous years, the country's economy continued to be dominated by the

agricultural sector in 2000 accounting for 36.0 per cent of total real GDP.

22. At 1.1 per cent, the performance of the Crops and Livestock sub sector in the year 2000 was fairly disappointing compared to the 4.7 per cent achieved in 1999.

23. The Fishing sub-sector recorded a decline in growth of 1.6 per cent in 2000 as compared with a growth rate of 1.0 per cent in 1999. It needs hardly be emphasized that the Fishing sub sector has for several years achieved very disappointing results and will be targeted more vigorously for a reversal of the dismal performances.

24. The Cocoa as well as Forestry and Logging sub-sectors however recorded impressive growth rates of 6.2 per cent and 11.1 per cent respectively in year 2000. The corresponding growth rates for 1999 for the two sub-sectors were negative 0.5 per cent and 6.8 per cent respectively.

Industry

25. The growth of the Industrial sector in year 2000 was slightly weaker at 3.8 per cent compared to the 4.9 per cent attained in 1999. All the four sub-sectors comprising Mining and Quarrying, Manufacturing, Electricity and Water and Construction recorded lower growth rates in year 2000 than the levels of performance in 1999.

Services

26. The Services sector covers a range of tertiary economic activities which are categorized into six sub-sectors namely: Transport, Storage and Communications; Wholesale and Retail Trade; Restaurants and Hotels; Finance, Insurance, Real Estate and Business Services; Government Services; Community, Social and Personal Services and Producers of Private non-profit services serving households. The sector has undergone major reforms and has benefited from recent growth in other sectors. Consequently the Sector has grown faster on the average than both the Agricultural and Industrial Sectors over the years. In year 2000, the sector grew by 5.4 per cent as against 5.0 per cent in 1999.

Consumer Price Developments

27. There was a strong upsurge in inflationary pressures in the economy during the 2000 fiscal year compared with price developments in 1999. The end-of-period inflation for the 12 months ending December 2000 rose from 13.8 per cent in December 1999 to reach a high level of 40.5 per cent.

28. The low rate of food price inflation which characterized the last nine months of 1999 continued into the first 7 months of 2000 until August when the rate accelerated to 10.9 per cent and ended the year at 24.3 per cent.

29. In contrast to the relatively low rate of food price inflation recorded in the year 2000, the rate of non-food price inflation rose sharply from 20.8 per cent in December 1999 to 54.2 per cent by the end of 2000, an increase of 33.4 percentage points.

30. Similar to the persistent rise in the rate of end-of period inflation in 2000, the average yearly inflation more than doubled from 12.4 per cent in December 1999 to 25.2 per cent in December 2000 after stagnating at an average rate of 12.4 per cent between December 1999 and February 2000.

Fiscal Developments

31. The provisional outturn showed that the overall fiscal deficit (including divestiture) was 8.5 per cent of GDP as compared with 6.5 per cent in 1999. Total revenue and grants amounted to ½5,385.0 billion while total expenditure came to ½7,524.9 billion.

32. The provisional outturn of total grants (project and programme) was less than half of the estimated target. Out of an estimate of ½1,319.0 billion, only ½574.3 billion actually flowed in.

33. Tax revenue collections exceeded the original projections on account of good performance from direct taxes, indirect and trade taxes. The provisional actual tax revenue yielded ½3,731.7 billion as against an estimate of ½3,957.3 billion. However the petroleum tax and cocoa export tax under performed. The reluctance of Government to increase the ex-pump price of petrol in the face of increased f.o.b. price of crude oil accounted for the

under performance of the petroleum tax which recorded only ½531.8 billion. Although the volume of cocoa exported during the year increased, the depressed f.o.b. price of cocoa hurt tax collection from the industry. Non-tax receipts amounted to ½396.1 billion, which is 13.1 per cent above the estimated target.

34. Provisional total expenditure amounted to ½7,524.9 billion, which is 1.8 per cent less than programmed. Non-interest outlays were ½3,000.7 billion, which is 13.2 per cent higher than budgeted. Total interest payments amounted to ½2,033.3 billion, showing an over-expenditure of 17.5 per cent. While the foreign exchange crises caused external debt servicing arrears, interest payment on domestic debt went up 19.2 per cent as monetary developments forced an increase in interest rate on treasury bills.

35. Provisional total capital outlay, comprising domestic and foreign funds amounted to ½2,490.8 billion and is 22.1 per cent lower than budgeted. While domestically funded development expenditure exceeded the estimate by 33.8 per cent, foreign finance capital outlay was 55.0 per cent of the estimate. Domestic arrears increased to ½345.8 billion, which is 103.4 per cent higher than was estimated.

Balance of Payments Developments

36. The objective of external sector policy in the medium term (2000-2002) was to accumulate external reserves. Given the adverse effects of falling world prices for the country's major exports however, it was initially estimated that the overall balance of payments for 2000 would be zero.

37. In the course of the year it became evident that the effects of the external shock that hit the country in the latter part of 1999 were being felt throughout 2000. While the prices of the country's major exports continued to be depressed, the international price of crude oil continued to rise. Disbursement of official assistance was also low and often not on time, thus the objective of having a zero overall balance of payments position for the year could not be realised.

38. Provisional figures for 2000 indicate an overall balance of payments deficit of US\$194.8 million, compared with an initial projected zero balance.

39. Total export receipts for 2000 are provisionally estimated at US\$1,940.4 million,

compared to an amount of US\$2,012.1 million realized in 1999. Earnings from cocoa exports fell by 21 per cent, from US\$552.3 million in 1999 to US\$436.8 million in 2000 mainly on account of a fall in price. The average price of cocoa beans exported fell by 24 per cent from US\$1,434.0 per tonne in 1999 to US\$1,092.0 per tonne in 2000.

40. Gold proceeds amounted to US\$702.0 million compared to US\$710.8 million in the preceding year. The average price of gold exported was US\$280.4 per fine ounce, slightly higher than the average price of US\$278.7 per fine ounce realized in 1999. Gold volume exported, however, went down from 2,550,766 fine ounces in 1999 to 2,503,858 ounces in 2000.

41. Despite a 15.2 per cent increase in the volume of timber exports over the 1999 level, the export value was US\$175.2 million, just about the same value received in 1999 and 1998. This was as a result of significant drop in the average prices of about 13 per cent, from US\$401.7 per cubic metre in 1999 to US\$351.3 per cubic metre in 2000.

42. Miscellaneous exports (including non-traditional exports) are valued at US\$568.7 million, compared to US\$680.0 million in 1999 and US\$612.0 million in 1998.

43. The total value of imports (fob) are estimated at US\$2,832.4 million for 2000 showing a fall of 12.3 per cent from the 1999 level. Non-oil imports declined significantly by about 20 per cent due to the sharp depreciation of the cedi. The value of crude oil and refined oil products rose by 56 per cent from US\$333.3 million in 1999 to US\$520.1 million in 2000. This was due entirely to the increase in crude oil prices from an average of US\$18 per barrel in 1999 to US\$30.8 in 2000.

Current Account Balance

44. The current account excluding official transfers recorded a deficit of US\$605.0 million (11.2 per cent of GDP) compared with a deficit of US\$1,074.0 million (13.8 per cent of GDP) in 1999, including transfers, the deficit reduced to US\$474.1 million (8.7 per cent of GDP) compared to US\$925.9 million in 1999. The improvement in the current account resulted from developments in the trade account as well as larger inflows of private unrequited transfers. Net private unrequited transfers increased from US\$472.0 million to US\$495.7 million in the year.

Capital Account

45. Provisional estimates for the year 2000 indicates that the capital account showed a net inflow of US\$251.7 million compared with US\$564.9 million in 1999. The decline was largely as a result of a fall in short-term capital inflows.
46. The net capital account balance was not enough to finance the current account balance and this resulted in a deficit of US\$194.7 million, which was financed from a drawdown on international reserves and an accumulation of payment arrears.

Exchange Rate

47. The foreign exchange market experienced difficulties during the year 2000, as the cedi depreciated strongly against the foreign currencies. At the beginning of the year, the cedi, seemed to have stabilized, as the sharp depreciation experienced in the last quarter of 1999 slowed down. However, this was short-lived, as the second quarter recorded even sharper depreciation throwing the foreign exchange market into crisis. By the end of the third quarter through the last quarter of the year the cedi remained relatively stable.

Forex Bureau Market

48. In the forex bureau market, the depreciation of the cedi was not very different from what was observed in the inter-bank market. The cedi/dollar rate increased from $\frac{1}{2}$ 3,550.00 at the beginning of the year to $\frac{1}{2}$ 6,800.00 at the end of the year, showing an annual depreciation of 91.5 per cent.
49. The reasons for the sharp depreciation of the cedi can be found in the deteriorating fiscal conditions since 1999 which increased the savings investment gap for the Ghanaian economy. This was aggravated by unfavourable developments in the international economic environment which negatively affected foreign exchange inflows into the economy.

Monetary Developments

50. The primary objective of monetary policy in 2000 was to arrest the deterioration in the macroeconomic situation which began in the latter part of 1999 and to restore some

stability in the economy. Accordingly, monetary policy was designed to achieve an end-period inflation rate of 12.5 per cent, with monetary growth targeted at no more than 16.0 per cent. To this end, the central bank was expected to maintain a tight monetary policy stance.

51. Monetary management during the year was rather difficult due to pressures emanating from both the external and fiscal sectors. The collapse of gold and cocoa prices in 1999 persisted, while crude oil prices escalated, squeezing foreign exchange earnings, thereby negatively impacting exchange rate developments. In addition, the non-receipt of programmed foreign inflows and external trade-related revenues resulted in some fiscal imbalances which were accommodated by the banking system. In the process, the rate of inflation in the economy took an upward turn.

52. In the face of these developments, the central bank maintained a tight monetary policy stance through the intensification of open market operations and the use of Repurchase Agreements (Repos). In July 2000, the minimum primary reserve requirement for deposit money banks was revised upwards from 8.0 per cent to 9.0 per cent to mop up excess liquidity and soak up some of the pressures on the cedi.

53. These measures notwithstanding, the economy experienced a marked increase in monetary growth compared to 1999. Broad money (M2+) grew by 39.8 per cent, compared with 16.1 per cent in 1999.

54. Interest rates were generally stable during the first five months of the year, but surged upwards from June. Money market rates increased markedly in June and July before declining in October, as the rate of inflation and depreciation of the Cedi slowed. The 91-day Treasury Bill discount rate rose from 31.49 per cent in December 1999 to 40.60 per cent in July before declining to 37.91 per cent in October 2000 and then stabilizing at 38.0 per cent through November and December 2000.

55. Borrowing and lending rates of the deposit money banks also rose markedly between June and August 2000. The average borrowing rate for the 3-month time deposit rate has stood at 33.50 per cent (up from 21.75 per cent in December 1999) since August 2000, while lending rates for all sectors have averaged 47.5 per cent since October 2000 (up from 36.5 per cent in

December 1999).

56. By the end of 2000, total credit granted to public institutions and the private sector by commercial banks increased from ½2,160.10 billion ie. 74.9 per cent to a level of ½5,044.0 billion. Outstanding credit growth increased by 59.5 per cent. Of the outstanding credit of ½5,044.0 billion, the private sector accounted for ½3,837.7 billion representing 76.5 per cent while the remainder went to public institutions.

57. During the year, the Manufacturing and Commerce and Finance sectors enjoyed a boost as

outstanding credit to those sectors doubled. Credit to the manufacturing sector increased by ½699.84 billion to ½1,416.95 billion, while that for the Commerce and finance sector increased by ½397.91 billion to ½849.35 billion. Other sectors that received substantial increase in credit were services, ½189.67 billion, and Agriculture, Forestry and Fishing ½146.43 billion.

Ghana's Debt

58. The total debt stock of Ghana stood at ½41.10 trillion at the end of December 2000. Out of this amount, ½31.70 trillion (US\$5.80 billion) was external and ½9.40 trillion (US\$1.7 billion) was domestic. The total debt represented 224 per cent of exports, 709 per cent of budget revenue and 124 per cent of GDP. In present value terms, it was 395 per cent of revenue.

59. The domestic debt stock is mostly composed of short-term Treasury Bills bearing high interest rates. Interest on domestic debt represented 43 per cent of budget revenue in 2000. Total debt service (excluding the cost of rolling over the Treasury Bills) absorbed almost 100 per cent of domestic budget revenue, leaving virtually no room for domestic financing of other expenditure.

[return to top](#)

SECTION THREE: REVIEW OF EXPENDITURES AND PERFORMANCE OF SECTORS IN 2000

60. In 2000, the total amount of 1/23,314 billion was programmed for statutory payment while 1/5,319 billion was estimated for discretionary expenditures.

61. The statutory payments of 1/23,314 billion was programmed to cater for expenditures for the Education Trust Fund, the Road Fund, District Assemblies Common Fund (DACF), transfers to households as well as principal and interest on foreign and domestic debt.

62. Actual expenditure under this category of expenditure was generally higher than programmed in view of the higher than programmed interest rates and the depreciating currency.

63. Discretionary expenditures which covered expenditures under items 1-4 was generally restrained as a result of the lower than expected revenue performance. Consequently, apart from releases for personal emoluments, most MDAs did not have significant releases for items 2-4.

ADMINISTRATION SECTOR

64. The Administration broad sector comprises MDAs, which perform central management functions of the central Government. Activities of some of the MDAs in this sector are highlighted below.

Ministry of Local Government and Rural Development

65. Among the activities undertaken by the Ministry of Local Government and Rural Development in 2000 were:

- ú 22 training programmes conducted by the Institute of Local Government Studies for 630 local Government personnel and key functionaries of District Assemblies;

- ú Disposal of Solid Waste in Accra and Kumasi under the Expanded Sanitation Inspection Policy;

- ú Improvement in Municipal Infrastructure in 17 towns including Accra, Kumasi and Tamale;

and

- ú Expansion of coverage of birth and death registration.

Electoral Commission

66. The overall allocation to the Electoral Commission was ½37.08 billion, however, the actual expenditure for their normal activities in addition to the two general elections totaled ½37.8 billion.

67. With regard to activities under the Commission's programmes, all of the budgetary requirements were met by the Government, and Donors, comprising ½30.96 billion and ½55.96 billion respectively.

68. The Commission undertook the following programmes:

- ú Revision of the Voters Register;

- ú Replacement of Thumbprint ID Cards with Photo ID Cards; and

- ú Conduct of Presidential and Parliamentary elections as well as the Presidential run-off.

Ministry of Finance

69. The Ghana Statistical Service conducted 2000 Population and Housing Census.

70. The revenue agencies continued to improve the infrastructure facilities so as to enhance their revenue mobilization efforts. In this connection, rehabilitation and construction continued on residential and office accommodation at Paga, Kulungugu, Asikuma, Sampa, Kumasi, Takoradi, Kpetoe, Aflao, Elubo, Gonokrom and Osu Kuku Hill.

Ministry of Planning and Regional Co-operation and Integration

71. Among the activities undertaken by the Ministry in 2000 were:

- ú Organization and coordination of programmes leading to the signing of the second monetary zone Agreement by the Authority of Heads of State of the participating countries.

- ú Review and preparation of the ECOWAS Trade Liberalization Agreement for ratification by the Authority of Heads of State.

ECONOMIC SERVICES SECTOR

Ministry of Food and Agriculture

72. Specific achievements of the Directorates and Agencies under the Ministry of Food and Agriculture include the following:

- a. In the Crop Sub-Sector, the production of seed maize, cowpeas, rice and soyabean was enhanced, while four improved varieties of cassava were developed in multiplication sites in 42 districts. Training and workshops in various aspects of Agroforestry/Land and Water Management techniques for agricultural field staff were conducted.
- b. In the livestock sub-sector, activities centered on providing improved breeds of livestock by assisting in the establishment of intensive fodder plot and assurance of adequate and nutritious feeding materials.
- c. The Fisheries Directorate intensified monitoring on the sea and on the Volta Lake.

73. In the area of Extension Services, the Women in Agricultural Development Directorate was assisted in its training programmes and it also promoted the processing and utilisation of unfermented cassava flour for making snacks like biscuits, tit bits and cakes.

Ministry of Lands and Forestry

74. The activities of the Ministry of Lands and Forestry have mainly been carried out within the framework of the National Land Policy, which was launched in July 1999. The policy is being pursued through four broad action areas:

- ú Facilitating access to land;
- ú Facilitating security of tenure and protection of land rights;
- ú Development an effective institutional capability and capacity for land administration; and
- ú Integrated land use

75. During the year 2000, through a more focused approach, the rate of collection of stumpage fees from current forest operations increased from less than 60 per cent in the previous year to 97 per cent at the end of December. The award of Timber Utilisation Contracts, which was to ensure compliance with sustainable forest management specifications and environmental protection standards, was initiated and ratified by Parliament.

Ministry of Environment, Science and Technology

76. Government approved the National Science and Technology Policy, which provides the framework for the integration of science and technology into the country's sustainable development effort. The Ministry has developed action plans for the implementation of the Science and Technology Policy.

77. The Ministry has also developed guidelines for the management and disposal of Liquid

Waste.

78. The operations of mining companies have been kept under close surveillance to ensure that the environmental impacts of their activities are adequately addressed.

79. Government has also approved a new Ghana Atomic Energy Commission Act, which would enable the Commission to commercialise its research output.

Ministry of Tourism

80. Major activities undertaken in year 2000 included the National Slave Route Project; monitoring and evaluation of selected tourism plans in Eastern and Volta Regions, and Emancipation Day Celebration. Ghana also participated in major tourism fairs in London, Berlin and Milan to market and promote the country as a pristine destination.

Ministry of Trade and Industry

81. The major programmes and activities undertaken in the Trade and Industry Sector in 2000 included the following:

- ú Enactment of the Export Development and Investment Fund Law. The Fund is to provide financial resources for the development and promotion of the export trade of the country;

- ú Participation in the 5-month long EXPO 2000 in Hannover, Germany, where Ghana's cultural, tourist potential and non-traditional export products were exposed to the over 4 million visitors to the fair and;

- ú Installation of the mobile X-ray scanning machine at Tema Port to facilitate fast clearance of goods.

82. The Ghana Standards Board continued its participation in the Destination Inspection Scheme to intensify its enforcement of standards to ensure that imported goods are of acceptable quality with respect to the protection of the safety and health of consumers. The Board in addition pursued the installation of ISO 9000 Quality Management Systems in various industries.

83. The Gateway Secretariat facilitated investment promotion missions aimed at attracting investors for targeted sectors such as agro-processing, wood processing, textile, electronic and electrical products and jewelry. The Secretariat, in conjunction with the CEPS, introduced the World Trade Organisation Valuation System, which has brought precision, and transparency in assessment of customs duties based on transactional values presented by importers.

84. The Ghana Free Zones Board registered 78 companies out of which 52 are operational employing over 6000 workers. The Board also registered two (2) developers, namely, the Business Focus Group of Malaysia and International Land Development Company Limited to provide factory space to free zone investors at the Tema Export Processing Zone. The Board continued to encourage investors to produce value-added products and assist them to attain the ECOWAS Trade Liberalisation Scheme (ETLS) with the view to ensuring effective market penetration of free zone products into neighbouring countries.

85. In the area of export promotion, the Ghana Export Promotion Council undertook the following programmes:

- ú Organised six (6) Export School programmes for Exporters and Export Facilitators in the Greater Accra, Ashanti and Western Regions;

- ú Completed preparatory work on the development of ten (10) identifiable export products on a pilot basis in five (5) Districts under a UNDP/ITC funding.

INFRASTRUCTURE SERVICES SECTOR

Ministry of Works and Housing

86. In a determined effort to improve the delivery of water in the country, the Government embarked on emergency works to rehabilitate, expand and improve the distribution network in the Western area of Accra, (eg. Weija Water Works), as well as Winneba, Akwapim Ridge, Koforidua, Tamale, Sekondi-Takoradi, and ATMA Rural Water.
87. High Level tanks, each of 100,000 gallon capacity, have been installed in some selected parts within the Accra - Tema Metropolitan Area considered to be distressed and deprived to store and supply water throughout the day. The areas are Teshie, Accra Girls, Tantra Hill, Adentan, Pantang, Ashongman village, John Teye, Kasoa, New Madina-Atraco area, Accra Academy,
New Achimota, Adentan-Housing Down and Madina- Ashalley Botwe area.
88. Under the Community Water and Sanitation Agency Programme, the following activities were undertaken:
- ú Construction of 329 boreholes, 2,220 household latrines and 1,003 school and institutional latrines;
 - ú Rehabilitation of 619 boreholes, 107 hand dug wells, 22 small community pipe schemes, 24 small town pipe systems; and
 - ú Conversion of 603 water facilities to come under Community Operation and Management (COM).
89. In the 2000 fiscal year, an amount of ½6.39 billion was released for various hydrological activities in the area of some primary drainage works at Sunyani, Techiman, Nsuta, Beposo, Agogo, Konongo, Achimota, La, Dzorwulu and Odaw.
90. On the Coastline protection programme, Government spent ½657 million for emergency work at Nkontompo, Prince Akatakyi, Prampram, Ngyeresia, Komenda, Philip Quaicoo, Akplabanya
and La. Similarly, an amount of ½9.28 billion was used for flood control programmes and mitigation in Accra.
91. Work on the Keta Sea Defence Project has progressed.
92. Government successfully obtained additional funds to cover 100 per cent cost of construction of the Korle-Lagoon Ecological Restoration Project. Dredging, which forms the main component of the project, has been encouraging. Channel excavation and soil improvement in the vicinity of the Lagoon were carried out in the year 2000.

Ministry of Roads and Transport

93. During the year under review, the Ministry continued with the expansion, maintenance, rehabilitation and modernisation of the roads and transport infrastructure and services in order to provide the enabling environment for the growth of industry, agriculture and other social services.

94. An amount of ½728.1 billion made up of ½101 billion of GoG resources, ½328.2 billion of external resources and ½298 billion from the Road Fund were utilised for the roads and transport sector in 2000.

95. Major road maintenance work undertaken in year 2000 are:

- ú Routine maintenance - 24,735 km
- ú Periodic Maintenance - 5,473 km
- ú Reconstruction - 344km.

SOCIAL SERVICES SECTOR

96. The Social Services sector consists of five ministries and three Commissions. In 2000, the sector was allocated an amount of ½1475.90 billion, representing 27.75 per cent of total discretionary expenditure.

Ministry of Education

97. The Ghana Education Service is responsible for the management of pre-tertiary education in Ghana.

98. The Girl Child Education Unit in seeking to improve female participation in education appointed District Girls' education officers to attend to gender issues in the Districts and to ensure the participation of girls in schools. A series of in-service training courses were organised for 60 girls education officers. The unit also organised a workshop for gender analysis for policy and planning for district directors of education to help them implement gender equitable policies in education. One hundred and seven out of one hundred and ten

district Directors benefited from the Workshop.

99. Some progress was made in respect of provision of facilities for the sub sector which include the:

- ú Commencement of construction of flats by the Ghana Hostels Limited, a subsidiary of the Social Security and National Insurance Trust (SSNIT) to ease the accommodation problem facing many University students. The flats are at various stages of completion.

- ú Construction work on the Clinical Students' Hostel at the Komfo Anokye Teaching Hospital in Kumasi also progressed.

100. The Ghana Education Trust Fund was established and its Board of Trustees inaugurated.

Ministry of Health

101. The Ministry set out to achieve four priority outputs to be achieved in 2000. These were 65 per cent coverage in child immunization, 42 per cent supervisory delivery, 14 per cent contraceptive prevalence and 0.38 OPD attendance per capita.

102. In the area of public health, about 70 per cent of the children targeted for immunization against the 5 childhood killer diseases was achieved.

103. Vitamin A coverage of target population (6- 59 months) totaled 3,103,119 and represented 90 per cent of the target.

104. At end of June 2000, 17,895 cases of measles were reported compared with 9,383 for the same period in 1999 which indicates a surge in measles. This therefore calls for greater vigilance in 2001.

105. At the end of September 2000 a cumulative total of 41,229 cases had been reported. The surveillance revealed 3,931 new cases between January and September 2000.

Heterosexuals

accounted for 80 per cent.

106. Priority interventions in 2000 included promotion of safer sex, improvement in management of STDs, safe blood transfusion, infection control, counseling and nursing and clinical management of persons living with HIV/AIDS.

107. In 2000 a national strategic framework to respond to HIV/AIDS was approved by cabinet and use of it commenced for the District Response Initiative.

108. Other achievements in the year included the successful introduction of the female condom and the inauguration of the National AIDS Commission.

109. The year 2000 was a fruitful one for Malaria control initiatives. The Public-Commercial partnership for the Insecticide Treated Bednets/materials Project was launched and has caught on with the public. Malaria specific data collection commenced in 10 regional hospitals.

Ministry of Communications

110. The telecom sector continued to witness some modest expansion in both infrastructural works and increased accessibility to telecommunication facilities. Ghana Telecom for instance was able to increase telephone lines to 200,000 during the year and public access to payphones was also increased by providing additional payphones.

PUBLIC SAFETY SECTOR

111. In the year 2000, about 90 per cent of expenditure programmes for Public Safety was dedicated to the Ministries of Interior and Defence for the maintenance of law and order, the protection of life and property and crime detection while 10 per cent went to support the Administration of Justice.

112. However, Mr. Speaker, armed robbery and the serial killing of women were among serious criminal activities that haunted the populace in the year 2000. Government however provided logistic support and new vehicles to the Security Agencies, especially the Police to contain the situation. There is however room for improvement.

Ministry of Justice

113. Under the Legal Sector Reform Project, the Ministry as the executing agency supervised the implementation of certain programmes and projects in collaboration with the Judiciary and other MDAs.

114. The major areas were:

- ú A reduction in the backlog of cases by about 74 per cent;

- ú Continuation of the mechanization of the courts;

- ú Preparation of a draft Alternative Conflict Resolution bill for solving disputes out of courts;
and

- ú Revision and publication of guidelines for judges.

Ministry of Defence

115. During the year under review, the Ministry of Defence continued its traditional role of defending the territorial integrity and constitution of the country in addition to its increased participation in international peace keeping activities.

116. A total of ½66.05 billion was spent on the country's participation in peace keeping activities in Sierra Leone and other places.

117. The major projects undertaken by the Ministry of Defence included the following:

- ú Repairs on the Naval dockyard;
- ú Maintenance on some military aircraft; and
- ú Installation of sewerage treatment plants at Ho and Sunyani Barracks

Ministry of Interior

118. During the year, the Ministry of Interior spent a total of ½233.6 billion to execute its programmes and projects.

119. The Ministry initiated the revision of some policy and operational guidelines needed to ensure greater efficiency in service delivery and enhance the maintenance of Public Safety.

120. The Police Service recruited 1200 personnel to augment its number, while the Fire Service, Immigration and Prison Service together replaced about 1000 personnel who had left the service through retirement, wastage, resignations etc.

Police Service

121. An amount of ½3.4 billion was spent by the Police Hospital to deliver essential health services and drugs to Service Personnel.

122. The Police in addition took delivery of twenty-one (21) new vehicles in 2000 to improve their patrol functions.

Prison Service

123. The Prison Service spent ½7.66 billion in 2000 to feed about 9,500 prisoners as part of its Service expenditures.

124. To continue with the Prisoners Reformation Programme, an amount of ½223 million was released in 2000 to purchase building materials, to be used by Prison inmates to rehabilitate prison structures.

National Disaster Management Organisation(NADMO)

125. NADMO spent an amount of ½13.70 billion in 2000 to provide Disaster Management and Relief

Support to Disaster Victims all over the country. These included:

- ú Provision of relief/medical support and transportation to about 4,000 Ghanaian returnees from Libya.

- ú Provision of disaster relief items for victims of flood, rainstorm, bush fires among others.

POVERTY REDUCTION

126. In the 2000 Financial Year Government continued to fulfill its commitment to poverty reduction and allocated about 17.4 per cent of total Government expenditure for the provision of basic services for the poor and free medical attention for pregnant women, infants, the aged and for others and selected diseases qualified for exemptions.

127. Though modest, these expenditures had an impact on some key human development indicators as follows:

- ú In the 2000/2001 academic year, the Ministry of Education estimated that while

gross enrollment was 84.8 per cent for boys in primary school, that of girls was 74.4 per cent. This however indicated that there was still a gender gap in primary school enrollment.

ú In health, immunization (DPT 3) coverage improved from 73 per cent in 1999 to 80 per cent in 2000. The incidence of guinea worm (a water-borne disease) that was assuming an upward trend from a previous downward trend began reducing again. The MOH reported that it dropped by only 18 per cent from 9,027 cases in 1999 to 7,402 cases by the end of last year. This is partly due to the fact that a significant percentage of people in the rural areas still have no access to safe water and are still drinking from untreated natural sources such as rivers, streams and dams that give water-borne diseases.

ú According to the Community Water and Sanitation Agency (CWSA) that is responsible for the provision of safe drinking water in the rural areas, rural water coverage increased from 39 per cent in 1999 to 47 per cent in 2000.

[return to top](#)

SECTION FOUR: MACROECONOMIC PROGRAMME FOR 2001

The Budget and Financial Programme for Year 2001

128. For the year 2001 the macroeconomic targets are as follows:

ú a real GDP growth rate of 4.0 per cent;

ú an end-of-period rate of inflation of 25 per cent;

ú an overall broad budget deficit equivalent to 5.2 per cent of GDP; and

ú an overall balance of payments surplus of US\$165.7 million.

129. The projected 4.0 per cent growth of GDP in year 2001 is based on a projected growth of 3.7 per cent in the agriculture sector, a 4.0 per cent growth in industry and a 4.3 per cent growth in services.

Resource Allocation for 2001

130. Total tax revenue is projected to rise from ½4,414.7 billion in 2000 to ½5,932.9 billion in 2001, while non-tax revenue is programmed to decline from ½396 billion in 2000 to ½350 billion in 2001.

131. In line with the overall macro-economic targets for 2001, total receipts are projected at ½13,826.70 billion. This is made up of tax revenue of ½5,932 billion, non-tax revenue of ½350 billion, foreign grants of ½1,872 billion and divestiture receipts of ½391.2 billion. Project and programme loans are projected at ½842.5 billion and ½1,070.1 billion, respectively. Net domestic financing of the budget is estimated at ½760.3 billion.

132. Total payments for 2001 are estimated at ½13,826.7 billion. Out of this, statutory payments are estimated at ½7,770.1 billion, while discretionary payments are programmed at ½6,056.6 billion.

133. Interest payments are projected at ½3,195.6 billion, out of which ½2,082.2 billion is for domestic interest payments. An amount of ½272.5 billion had been provided for transfers to households, namely pensions and gratuities.

134. It is estimated that an amount of ½326.4 billion will be transferred into the Road Fund,

while 1/2358.3 billion will be transferred into an Education Trust Fund.

135. Personal emoluments (including Government contributions to SSNIT on behalf of its workers) are estimated to rise from 1/21,956.2 billion in 2000 to 1/22,615.1 billion in 2001, while the District Assemblies Common Fund (DACF) is projected at 1/2296.6 billion. Investment expenditure for 2001 is estimated at 1/22,641.6 billion, of which domestic financed investment expenditure is 1/2915 billion out of which an amount of 1/2435 billion will be utilized to clear outstanding arrears of 2000.

136. The 2001 expenditure profile for these sectors is as follows:

- ú Administration - 1/22,206.18 billion
- ú Economic services - 1/2948.97 billion
- ú Infrastructure services - 1/2736.50 billion
- ú Social services - 1/21,910.21 billion
- ú Public safety - 1/2502.60 billion
- ú Contingency - 1/225.0 billion

Balance of Payments Outlook

137. The thrust of external sector policy in 2001 and the medium term will continue to be the accumulation of external reserves. In spite of the adverse effects of falling world market prices for the country's major export commodities, it is estimated that the overall balance of payments will be a surplus of US\$165.7 million.

138. Balance of payments projections for the year 2001 show that the value of exports will increase marginally by US\$41.2 million or 2.1 per cent. The value of cocoa exports is expected to increase by 11.9 per cent to US\$488.6 million, on account of projected higher prices. Gold exports are projected to decrease by US\$57.9 million to US\$644.1 million due to a projected fall in the world market price as well as a decline in volume exported.

139. Receipts from timber products are projected to increase by 4.6 per cent to US\$183.3 million. The projected rise is on account of expected increase in volume.

140. Total receipts from other exports, including non-traditional exports, for the year

2001 is expected to be US\$665.7 million, an increase of US\$39.3 million over the 2000 provisional out-turn.

141. The current account balance (excluding official transfers) is projected at a deficit of US\$527.0 million (10.8 per cent of GDP). Including official transfers, this deficit will reduce to US\$265.0 million (5.5 per cent of GDP).

142. Net capital inflows are expected to amount to US\$430.7 million of which official capital is projected at US\$345.0 million. Net private capital and short-term capital are projected at US\$55.7 million and US\$30.0 million respectively.

143. The net capital account will more finance the current account deficit and result an overall balance of US\$165.7 million for the year. Of this surplus, US\$68.7 million will be used to settle external payment arrears and US\$97.0 million will be used to build up external reserves.

Monetary Outlook For 2001

144. The pursuit of price stability will continue to be the goal of monetary policy in 2001, as price stability provides the enabling environment for the mobilization of domestic resources and their efficient allocation to their most productive uses. To this end monetary policy will seek to attain a monetary growth rate of 32.0 per cent for 2001.

145. In order to attain the monetary policy objective for 2001, the Bank of Ghana will maintain a tight monetary policy stance and actively use Open Market Operations (OMO), REPOs and interest rate policy to influence monetary aggregates in the desired direction. The Bank will review the rediscount rate and restore its signalling role in the economy while the exchange rate of the cedi will continue to be market-determined.

146. The Bank of Ghana will continue to enforce bank prudential regulations to ensure the soundness and stability of the financial system towards the development of the economy. Currently, there are a number of new laws before Parliament aimed at facilitating financial transactions, strengthening and deepening the financial system in general, and the Bank of Ghana in particular. These new laws include the Banking Law, the Bank of Ghana Law, the Bills and Checks bill, and the Payment Systems bill.

Ghana's Debt Outlook

147. External debt is expected to increase to around ½34.1 trillion (US\$6.2 billion). This will be due to more new borrowings over debt repayments, creating a net inflow of around \$402.30 million.

148. As Government restores fiscal discipline and improves on revenue collection, borrowing domestically to finance expenditure will be markedly reduced, when long dated bills borrowing will become the norm.

149. The Domestic debt stock is thus projected to fall from ½9.4 trillion (US\$1.7 billion) to about ½6.6 trillion (US\$1.2 billion) by end year 2002.

150. To further ease the total debt burden a number of options, where appropriate will be used. These will include:

- ú Negotiations for debt relief;
- ú Debt conversion programmes;
- ú Debt swaps;
- ú More concessional borrowing;
- ú Use of privatization proceeds to retire some outstanding debts; and
- ú Restructuring options with banks and other institutions.

151. In effect both domestic and external debt will be brought to more sustainable levels.

[return to top](#)

SECTION FIVE: SECTORAL RESOURCE ALLOCATION FOR YEAR 2001

ADMINISTRATION SECTOR

152. The MDAs under the broad administration sector have been allocated a total of ½2,206.18

billion. Out of this, an amount of ½1,340.99 billion has been allocated to General Government Services. The General Government Services vote has once again been earmarked for adjustments, including salary changes, road and non-road arrears in respect of 2000.

Ministry of Finance

153. A provision of ½139.17 billion has been made for year 2001.

154. Work will be completed by the middle of this year on the 4-storey Financial Information Centre for the Ministry of Finance to enable hardware and the software for the BPEMS to be installed within the year.

155. The VAT Service will expand its activities in year 2001 by opening additional offices, recruiting and training of staff for effective tax collection, purchase equipment to support control and verification work. The Service will also integrate Accounting Administration and Operational Systems within a Network and will fully decentralise the Information Support Services Unit throughout all VAT Offices.

156. Specific programmes targeted for implementation by CEPS within the year include automation of the warehousing facility to be continued with the computerisation of the warehouses to join up in a network with CEPS System to facilitate monitoring. The programme for full automation of the Customs Procedures, Ghana Management System (GCMS) and the Ghana

Community Network (GCNET) is expected to take off by the middle of the year at the Kotoka International Airport in line with the Gateway Project. Specific projects targeted for completion within the year include major rehabilitation and constructional works to residential and office accommodation at Paga, Kulungugu, Asikuma, Sampa, Kumasi, Takoradi,

Kpetoe, Aflao, Elubo and Gonokrom. In addition, a number of outstations including Gonokrom, Hamile and Wli Agorviefe will be connected to the National Electricity grid. The construction of baggage examination sheds at Elubo, Paga and Gonokrom shall also be completed within the year.

157. The Internal Revenue Service intends improving collection through opening of new District and Sub-District offices and collection points within the year.

Ministry of Economic Planning and Regional Co-operation

158. An amount of ½42.06 billion has been allocated to the Ministry. The vision of Ghana becoming a middle-income country by the year 2020 is overdue for review and re-direction. A new national vision will be prepared to reflect lessons learnt during the past five years and project the Government's new vision of the golden age of business.

159. The new Medium Term Plan (2001-2005) currently being prepared will be redirected to reflect the new national vision. It will also be used to achieve greater coordination in the cross-sector plans of the various ministries, departments and agencies to ensure a greater opportunity for realising our national vision.

160. A national economic summit will be convened in conjunction with Ministry of Finance to enable the Ministry examine the current state of the economy, to plan together on new growth targets and to agree on the short, medium and long term targets for development. Short-term measures for stabilizing the economy will be one of the outputs of the national forum. This will enable Ministry of Finance to institute measures to put the ailing economy back on track.

161. The Ministry will start work on the development of a quantitative model which will enable the setting of realistic targets and prepare more accurate forecasts and projections as well as determine the effects of policies strategic options.

162. A co-ordinated programme of actions will be formulated to ensure that Ghana gains the full benefits of an integrated West African market economy. Measures will be focused on strategies to support the expansion of Ghana's trade opportunities within the ECOWAS sub-region and even beyond.

Ministry of Foreign Affairs

163. A provision of ½165.40 billion has been made for year 2001 for the Ministry of Foreign

Affairs to achieve their objectives.

164. The consular services would be made more efficient worldwide and the processing of visas

for investors would be handled with minimum delay. Cost saving Honorary Consulates, which are non-remunerative establishments, will be opened at strategic locations to facilitate the acquisition of travel documents and visas by Ghanaians, tourists and investors alike, in order to make Ghana both tourist and investor friendly.

165. The resources will also enable Ghana to fulfil its commitments under various Joint Commissions for cooperation with other countries and obligations of membership of international organisations. The Joint Commissions will be expanded and refocused to provide a forum for private sector led economic cooperation and trade promotion.

Ministry of Local Government and Rural Development

166. For the 2001 fiscal year, a total budgetary allocation of 209.48 billion has been approved to finance the Ministry's programmes and activities. The amount is made up of 108.75 billion from GoG and 100.73 billion from Donors.

167. The Ministry will pursue actions in 2001 to review the local Government law, clarify the mandate of the District Assemblies, and remove conceptual differences which held up establishment of the Local Government Service and integration of the decentralized departments and their budgets into District Assemblies and Regional Co-ordinating Councils. Urban/Town/Zonal/Area councils will also be assisted to participate more vigorously in the local decision making structure.

168. The Ministry will strengthen and improve local revenue generation from all available sources. The Urban, Town, Zonal and Area Councils will be encouraged to pursue identification of revenue areas such as house numbering and street naming for property rating and collection purposes.

169. Implementation of the National Environmental Sanitation Policy will be intensified in the course of the year. District Assemblies will be resourced to give a much needed fillip to the Programme of Expanded Sanitary Inspection and Compliance Enforcement

and to improve on both the coverage and regularity of sanitation services countrywide.

Work will also continue on the waste disposal site in Accra, to provide the metropolis with a modern facility for the effective management and treatment of waste. Work on similar facilities for Sekondi, Kumasi and Tamale will commence during the year under the Urban Environmental Sanitation Project.

170. Socio-economic infrastructure - town roads, markets, lorry parks and drains - will continue to be upgraded and provided under the urban upgrading and development programmes of the Ministry, in five primary cities and 12 selected urban settlements. Implementation of the Urban V project which has been under preparation since 1997, will commence during the year to improve urban infrastructure in an additional 25 urban towns.

171. The programme of support to improve the infrastructural and institutional base of district capitals and other towns in beneficiary districts of the District Capitals Projects will also be continued in 2001. Settlements with populations of over 5,000 inhabitants in 10 beneficiary Districts in Ashanti and Brong Ahafo Regions, will be provided socio-economic infrastructure under the Promotion of District Capitals II & III projects.

172. The Department of Community Development will continue its programme of facilitating the entry of women's groups into small-scale commercial/artisanal and entrepreneurial ventures. Up to 1,800 young women will receive vocational training and a further 1,200 women's groups will be equipped with skills to enhance their economic opportunities.

173. Work on the establishment of a 50-acre scientific medicinal farm will continue at Aburi as part of the sector's programme of conserving and protecting the nation's genetic plant resources. Support for the commercialisation and export of horticultural products will be increased for private sector participation in horticultural development.

Office of Parliament

174. As indicated by His Excellency the President in his Sessional Address to this House, work will be accelerated for early completion of the tower block of Parliament to be used as offices for members of Parliament and their supporting staff.

Ministry for Media Relations

175. The newly created Ministry for Media Relations is charged with responsibility for the Ghana News Agency, Information Services Department and the erstwhile Public Affairs Secretariat at the Castle has been allocated a total sum of ½10.55 billion for its activities for the year.

ECONOMIC SERVICES SECTOR

Ministry of Food and Agriculture

176. In line with the aims and objectives articulated in the Government's Manifesto, the Ministry will work towards the transformation of the sector into highly productive and profitable industry to help reduce rural poverty and thus help stem rural-urban drift. In pursuit of the Ministry's objectives, the Ministry has been allocated an amount of ½453.75 billion in the 2001 Budget.

177. For the 2001 fiscal year, the Ministry will work to ensure that all Ghanaians have access to adequate food at affordable prices by eating what we produce and canning what we cannot eat for the lean season.

178. The Ministry will review and better coordinate its technical and technological services to farmers and fishermen to improve efficiency and performance in the production, processing and marketing of staples such as rice, maize, cassava, yams and plantain for the local market and cocoa as well as non-traditional agricultural commodities for the export market to help improve Ghana's balance of payment position.

179. The first priority is to reduce rice importation by at least 30 per cent in value from the approximately US\$100 million spent on importing rice annually to supplement local production. The reduction in rice importation will be substituted by a local production of 72,000 metric tons milled rice which will create jobs to increase rural incomes. In this regard, steps will be taken to ensure that rice farmers are provided with high yielding improved varieties.

180. The Ministry will continue its consultation with fertilizer importers and the

Agricultural Development Bank, to work out the modalities for ensuring timely importation of fertilizers at affordable prices to farmers during the 2001 farming season.

181. One of the biggest problems with the rice industry is the poor quality of locally milled rice. The Ministry, in collaboration with the Japanese Government, will work with a rice-milling expert from Egypt under Japan's South-South Cooperation Support Programme to help improve the quality of milled rice in Ghana this year.

182. Additionally, a programme is being drawn up to fully utilize the 100,000 metric tons per year world class Rice Mill at Aveyime to its fullest capacity. This will include providing enough funds to cultivate more than 2000 acres at Aveyime twice this year as well as encouraging rice farmers at Afife, Kpong, Dawenya and other irrigated sites to produce enough rice to feed the mill.

183. Production levels of maize seem to have peaked at the 1,000,000 metric tons per annum in recent years. Therefore in order to revitalize the maize industry, a target of 10 per cent growth has been set for 2001. This growth implies expanding the area under maize production by 70,000 hectares and making conscious effort to screen and make available to farmers high yielding maize varieties as well as timely supply of appropriate fertilizer and agro-chemicals. The expected increase in maize production will enable poultry and pig farmers to reduce their expenditures on imported maize, reduce production costs and hopefully help reduce the cost of poultry meat and eggs to the average consumer.

184. A programme of purchasing for Buffer Stocks and also increasing processing to reduce post-harvest losses will be pursued. Two cereal crops, maize and rice, will be used in the Buffer Stock Project. This is because they command the highest demand among the cereals and have excellent handling and storage characteristics. Marketable surplus for maize is estimated at 700,000 metric tons out of the national production of about 1.0 million metric tons. That for rice is about 50,000 metric tons out of a national output of 120,000 metric tons.

185. Ghana is one of the few countries in West Africa that imports virtually all the sugar it consumes. Another area of emphasis in the crop sub-sector is the production of sugar from sugarcane. By the end of 2001, the Ministry would have completed all feasibility studies involving the social, economic and financial viability of re-launching the sugar industry in

Ghana. The objective will be to produce at least 25 per cent of Ghana's sugar requirements by the end of 2003.

186. In the livestock sub-sector, emphasis during the year will be on reducing the mortality of the village chicken. The Ministry through its Veterinary Services Directorate has developed and tested a simple-to-use heat stable Newcastle vaccine, which will reduce the mortality of the village chicken.

187. Attention will also be given to ruminants in the livestock sub-sector. Ghana's ruminant livestock population stands at about 1.2 million cattle, 2.4 million sheep and 2.5 million goats. The rapid development of the ruminant population has been impeded by constraints such as lack of improved breeding stock, poor nutrition, high incidence of pests and diseases and the general lack of ranches where animals could be properly fed and maintained and slaughtered for meat.

188. For this year, the economic viability of establishing fattening centres for livestock based on proper housing, health-care and good feeding will be determined.

189. In the fisheries sub-sector, aquaculture will be given special attention. Available information indicates that the annual demand for fish is between 700,000 and 800,000 metric tons while the total fish stock available from Ghanaian fresh and marine resources is 400,000 metric tons per year. The deficit of about 300,000 metric tons will be filled by imports or aquaculture sources.

190. While action will be taken to improve the Monitoring, Surveillance and Control (MSC) of our marine resources to minimize poaching by foreign registered vessels, the emphasis will be on systematic development of aquaculture on the basis of current technological and scientific knowledge.

191. A special relationship will be created between the Ministries of Finance, Agriculture and Trade and Industry to ensure that the chronic problem of finance which faces the Agriculture Sector is minimised and that agricultural products form the foundation of our industrial sector. This economic "tripod" will assist the agro-industrialisation of the country.

Ministry of Tourism

192. Tourism is now recognised as one of the most important socio-economic activities and the fastest growing sector of the economy. Although the tourism sector is making immense contribution towards the generation of foreign exchange earnings, employment, income and revenues, the industry needs to be helped. Its development, promotion and marketing should be

accelerated to enable the country derive the expected optimum benefits necessary to achieve a growth rate of 8 per cent required to enable the sector contribute about 3.8 per cent to the Gross Domestic Product (GDP) by the end of the year.

193. Accordingly, the Government will continue to support both public and private sector investments in tourism infrastructure for the development, promotion and marketing of historical, cultural, recreational, conference and eco-tourism across the country.

194. Consequently, the Government, in the course of the year, will consider the possibility of establishing a Tourism Development Fund, which is intended to provide accessible funding to support public and private sector investments.

195. In addition to the above, the following activities will be pursued:

- ú Government will undertake site identification, documentation and preparation of related feasibility studies for the development of the Slave Route Project to support cultural and historical tourism;
- ú Institutional capacity will be enhanced in the public and private sectors to ensure efficient and quality service delivery that will promote Ghana as a competitive and quality tourist destination;
- ú Community involvement in tourism development will be enhanced through public awareness programmes to spread the socio-

economic benefits of tourism across the country; and

ú A Management Information System for the tourism sector will be developed to make information available and accessible to investors and other end-users.

196. To undertake the above activities and programmes, the Ministry of Tourism has been allocated an amount of ½6.98 billion for 2001.

Ministry of Energy

197. For the 2001 fiscal year, the Ministry of Energy is allocated a sum of ½206.53 billion to undertake various programmes most of which were initiated during the previous year. Out of this amount, ½186.59 billion will be from donors. An amount of ½199.43 billion will be spent on national electrification while ½3.83 billion will be used to promote energy efficiency and conservation.

198. Government recognises that the ability to achieve its socio-economic objectives will depend upon the continuous availability and usage of energy. To ensure continuous supply of electricity, Government will accelerate the process for strategic and rationalized planning by publishing a coherent Energy Policy this year. Among other things, an Energy Policy will ensure that necessary investments are made at the right time and further that such investments are driven by a strategic plan.

199. The West African Gas Pipeline Project holds tremendous prospects for Ghana. The availability of this relatively cheap and clean source of energy in Ghana will no doubt go a long way to reducing our crude oil import bill. This year the Government of Ghana will facilitate collaborative effort with participating Governments of the Republic of Benin, Togo and the Federal Republic of Nigeria, to harmonize all fiscal, legal and the environmental regimes to move the project towards its realisation before the end of year 2003.

200. Government will support on-going discussions by VRA to arrange private support

to provide an additional 110 MW of power at the Aboadze Thermal Project to bring total capacity of the Aboadze Plant to 660 MW.

201. To further augment power generation capacity in the country and in line with the pledge contained in the Government's Agenda for Positive Change Government will proceed with

the Bui Dam project. During the year 2001, due diligence, including environmental impact studies will be completed on the Bui project, and the needed guarantee agreements will be signed between VRA and the consortium of developers to clear the way for the construction of the 200 x 2 MW plant to take off. This project, when completed by 2006, will establish a firm supply balance between thermal and hydro generation in the country.

202. Firm arrangements for crude oil supplies to Tema Oil Refinery and also for finished products are being made. This is to ensure regular flow of petroleum products in the country. With the recent restoration of full ex-refinery cost recovery and the publication of a formula which will constantly adjust ex-refinery cost and ex-pump prices to sustain the principle of full cost recovery, it is the expectation of Government that a proper environment to guarantee continuous availability of petroleum products now exists in the country.

203. The distribution arrangement for petroleum products has been reviewed and in particular the unnecessary intervention of BOST in the distribution network has been removed. The new arrangement which requires direct relationship between the refinery and the oil marketing companies should not only enhance efficiency but also cut down on cost.

204. The complete absence of strategic reserves of petroleum products which we inherited cannot be tolerated any longer. The strategic stock levy of ½10 per litre has therefore been increased to ½30 per litre. Depending upon the availability of stocks in the refinery, it is intended that we shall start the build up of a national strategic stock reserve for rainy days. With the assurance of this steady flow of income over the years, Government intends to seek funding for the construction of more storage depots at strategic places in the country.

205. Government will continue to promote both the National and Rural Electrification Programmes with renewed vigour. To ensure the sustainability of the electrification

programmes, emphasis will be placed on the productive uses of electricity. To this end the Ministry of Energy has been directed to liaise with the National Board for Small Scale Industries to complement all future rural electrification projects with appropriate cottage industrial programmes.

206. Government will accelerate the search for hydrocarbons in the country. As already announced, the GNPC will be stripped of all its non-core activities so that there will emerge a trimmed down GNPC of sufficiently motivated staff to focus on the search for hydrocarbons.

Ministry of Trade & Industry

207. The major policy thrust of the Government in the Trade and Industry sector is to effectively develop and promote trade and industry to be outwardly oriented and globally competitive. In order to achieve this policy objective, Government will encourage more Ghanaian firms to develop a culture and orientation for export trade. Ghanaian exporters will be assisted to take advantage of export markets, especially in the ECOWAS sub-region.

208. In pursuance of the above, the activities that will be undertaken by the Ministry will include:

- ú Pursue enhanced trade relations with the United States of America (USA) within the context of the African Growth and Opportunity Act (AGOA) and the Trade and Investment Framework Agreement (TIFA);

- ú Pursue new product development in textiles and garments through the establishment of a sewing laboratory to train operators in computer-aided design and manufacturing;

- ú Train and develop staff capacity in fields relevant to the Ministry's operations; and

- ú Liaise with District Assemblies to prepare project profiles and organize trade and investment fora.

209. The Ghana Gateway Project will deepen its co-ordination and strengthen the institutional capacity of its project implementation agencies to promote the objective of making Ghana the hub of industrial and business activities in the Sub-Region.

210. Similarly the Ghana Free Zones Board will continue to provide off-site infrastructural facilities for the Tema Export Processing Zone to enhance its attraction to investors. The Board will also assist Free Zone Enterprises to retain ECOWAS Trade Liberalisation Scheme status.

211. The Ministry will also undertake the following:

- ú Promote, develop and sustain growth of Micro and Small Enterprises (MSEs) by improving entrepreneurial, managerial and technical competence of MSE operators through its training programmes;

- ú Train graduates from tertiary and vocational institutions to enable them establish viable micro and small enterprises.

212. Government has recognized the negative impact of the trade liberalization policy on domestic businesses and will address the issue by:

- ú Further rationalisation and streamlining of tariffs;

- ú Further consideration of the promulgation of a law on competition and fair trade; and

- ú Commencement of work on legislation on anti-dumping.

213. A Public-Private Partnership for Industrial Development (PPPID) will be established within the framework of the Integrated Industrial Programme in the course of the financial year. This body will address major constraints to industrial development.

214. Government will continue to support activities in the designated priority sub-sectors of food and fish processing, textiles and garments, wood and wood processing and packaging. In addition, the metal and engineering sub-sector which underpins development in the outlined sub-sectors will be actively supported, particularly in the manufacture of machinery, equipment and spare parts.

215. A total amount of 72.04 billion has been allocated to the Ministry to carry out the above activities and programmes for the year 2001.

Ministry of Environment, Science and Technology

216. In the area of Science and Technology, Government intends to develop financial incentives for companies using locally generated technologies, as well as the importation of environmentally sound technologies to support the country's development efforts.

217. In addition, effective co-ordination mechanisms are to be developed to link the private sector, especially in the industrial sector, with science and technology institutions to promote demand-driven research and thus increase the income generating capacities of these institutions.

218. The current initiative for partial commercialisation of some institutes of the Council for Scientific and Industrial Research will be extended to all the other Institutes of the Council. The Programme will also be extended to the Ghana Atomic Energy Commission, to make it possible for the institution to engage in the commercialisation of some of its activities.

219. Government will also promote small-scale on-farm technologies through which farmers can process and thus add value to their agricultural produce to promote food security and stability in the price of produce.

220. Government will enforce Environmental Impact Assessment as a management tool to ensure that environmental concerns are mainstreamed into the country's development programmes so that the integrity of the environment can be maintained. Public institutions will be encouraged to establish environmental desks to ensure that the environmental impact of policies are mainstreamed into their development agenda.

221. Action will continue on the development of the Greenbelt around the Greater Accra conurbation to control the growth of urban development in the Region. Land use plans for 10 Regional and District capitals would also be prepared to guide development activities in these urban areas.

222. Regular reporting systems and quarterly briefing sessions (regular monitoring) would be organized to ensure that implementation of Government policies and programmes are on schedule. This would also ensure that resources are used not only for the intended purposes but also efficiently.

223. An amount of ½85.08 billion has been provided to cater for these activities.

Ministry of Lands, Forestry and Mines

224. In keeping with the Presidential Sessional address, the Ministry will pursue legislative reforms to review, update, harmonise and consolidate all existing laws and policies on land, forestry, wildlife and minerals to make them more relevant and applicable to our current and future needs. New strategies for effective law enforcement will be adopted and implemented to achieve the conservation goals of the Ministry. New legislation will be enacted to require stool, skin, clan, family and other landowners to survey and demarcate boundaries of their lands with the approval of the Survey Department.

225. With full participation of traditional and customary land owners, the Ministry will undertake a tenurial reform and pursue alternative conflict resolution mechanisms, using negotiations to resolve and minimise land disputes.

226. Promotion will be given to the production of industrial minerals to balance the economy's over reliance on precious minerals. Value addition will also be encouraged.

227. The participatory resource management initiatives will be further strengthened to increase the involvement of land owners and fringe communities bordering the resources in decisions that affect their interests.

228. To enable the Ministry implement these activities an amount of ½123.04 billion has been programmed for 2001.

Ministry for Private Sector Development

229. An amount of ½1.56 billion has been allocated to the Ministry to coordinate and initiate policies towards private sector development.

INFRASTRUCTURE SERVICES SECTOR

Ministry of Roads and Highways

230. In line with the objective of clearing the backlog of road maintenance, priority will continue to focus on maintenance and rehabilitation works based on objective assessment of the maintenance needs of the road network. The Ministry will also focus on maintaining broad equity among geographical locations in view of the limited resources to satisfy all the justifiable needs of various communities.

231. The following trunk roads, which are being constructed, will be continued:

- i. Sogakope-Adidome-Ho-Fume
- ii. Bole-Bamboi
- iii. Kpandu-Worawora
- iv. Wenchi-Sampa
- v. Tamale-Yendi

232. Rehabilitation will soon commence on the following roads:

- i. Accra-Yamoransa
- ii. Achimota-Apedwa-Bunso-Anyinam
(or Achimota-Anyinam)

- iii. Tema-Sogakope
- iv. Kumasi-Techiman
 - v. Axim Junction-Tarkwa
 - vi. Bibiani-Abuakwa
- vii. Takoradi-Agona Junction
 - viii. Gyato Zongo-Yeji
 - ix. Anyinam- Konongo-Kumasi

233. The following feeder road projects would be continued:

- i. Surfacing of Ekye-Amanfrom-Amankwakrom
- ii. Improvement to Kwamepong Nkwanta-Dunkusen road in the Afram Plains
- iii. Surfacing of Huhunya-Boti falls
 - iv. Surfacing of Sokode-Bame
 - v. Rehabilitation of Dzolo-Kpedze Todze
 - vi. Rehabilitation of Dadieso-Kwasuo-Frantaline
 - vii. Rehabilitation of Wiase-Yiziisi-Tantala
- viii. Rehabilitation of Gbindire-Nabule

234. Under the DFID projects, the construction of the remaining 28 bridges will be continued in the Western and Central Regions.

235. On urban roads, the Ministry intends to:

- ú Resurface, reseal and rehabilitate about 211 kilometres of roads in the urban centres;
- ú Commence the rehabilitation of Adeambra and Inchaban Roads in Sekondi; and
- ú Commence the rehabilitation of Tema Mahean and VALCO roads and construct a new motorway underpass to Ashaiman.

236. It is expected that an amount of ½326.4 billion will accrue to the road fund for the

implementation of these maintenance projects. A further amount of 1/2373.95 billion will be made available for further construction work in this sector. Out of this amount, the Donor community is expected to contribute 1/2286.21 billion.

Ministry of Works and Housing

237. An amount of 1/2325.54 billion has been allocated to enable the Ministry to commence new projects and continue its existing projects and programmes during this fiscal year.

238. Some projects expected to benefit from this fund include:

- ú The Keta Sea Defence Project;

- ú The Korle Lagoon Ecological Restoration Project;

and

- ú Other critical coastal protection works at Nkontompo, Ada, La and the Osu-Castle.

239. Rehabilitation of the water supply systems at Kpong, Weija, Barekese, Tamale, Winneba, Koforidua, and Cape Coast will continue.

240. In order to sustain the provision and maintenance of rural water and sanitation facilities, the Ministry will in this year:

- ú Construct 660 new boreholes, 350 new hand-dug wells, 40 mechanized community pipe systems, 30 new gravity pipe systems, 1,300 new household latrines, and 100 institutional latrines;

- ú Rehabilitate 100 boreholes; and

- ú Train 400 area mechanics and 100 artisans

to manage rural water and sanitation facilities.

241. The Ministry is to embark on a special housing package "Housing the People Scheme" which will focus on low-income housing, urban renewal and Rural Housing.

242. Under the scheme:

- ú A home ownership mortgage insurance will be established;

- ú The Ministry will step up its facilitation role with emphasis on land acquisition and provision of basic infrastructure facilities to support housing development;

- ú A US\$50million loan package for construction finance is being sourced for the members of the Ghana Real Estate Developers Association to increase housing for both rental and home-ownership. This is expected to create over 30,000 jobs;

- ú Another US\$50 million loan package is being sourced for land servicing development and construction of rental and homeownership housing; and

- ú An innovative approach to house the security agencies has been conceived by the Ministry and this will form part of the overall housing programme.

SOCIAL SERVICES SECTOR

Ministry of Education

243. Recognising the importance of social programmes to the broad mass of the Ghanaian populace, the Government has allocated an amount of ½1,420.22 billion to the sector for the 2001 fiscal year.

244. Basic Education continues to be a major priority of the Government and the fCUBE Programme will be sustained. Delivery of quality education will serve as a platform for enrolment enhancement in Schools. Emphasis will be placed on enhancement programmes aimed at

bridging the gap between rural and urban sections of society. The programme of activities to be pursued during the fiscal year will be as follows:

- ú Organisation of community participation in education delivery;
- ú School inspection;
- ú In-service training for teachers;
- ú Provision of teaching and learning materials;
- ú Provision of incentives for teachers;
- ú Curriculum review and development; and
- ú Financial support for proven needy basic school girls.

245. In pursuance of quality teaching and learning under the fCUBE programme, a Whole School Development (WSD) concept has been designed to improve classroom environment and

management. In line with the WSD concept, teachers are being exposed to current methodologies and skills. This is to improve on children's literacy, numeracy and problem solving skills. Under this programme 20,000 teachers at the Basic level will be trained this year.

246. For the year 2001, policies and programmes for the continuous improvement in girl child education will be vigorously pursued. To this end, an amount of ½6.41 billion has been provided to support girl child education programmes in primary schools. Additionally, an

amount of 1/2413.8 million has also been provided in 2001 for the girl child to conduct Science, Technology and Mathematics Education (STME) programmes at the Senior Secondary School level.

247. Government will focus attention on provision of infrastructural facilities in schools, especially in rural areas and expand the existing system. In connection with this, the following programmes will be pursued:

- ú Rehabilitation/construction of school infrastructural facilities;
- ú Provision of teacher housing;
- ú Procurement of classroom furniture;

248. A total amount of 1/247 billion has been provided to improve facilities in Basic Schools throughout the country. An amount of 1/221 billion has been allocated to improve and expand the existing Senior Secondary Schools. This is to provide placement for the increasing number of JSS products.

249. The study of Technical/Vocational subjects to satisfy the demands of the industrial sector of the economy is being given the desired attention. Technical/ Vocational Education Curriculum is being reviewed and developed. The current arrangement of linking Technical Institutes to industrial establishments will be given the needed attention. A total of 1/24 billion has been provided for the completion of 20 Vocational and Technical Resource Centres (VOTEC). The VOTEC project is to address the problem of non-availability of modern equipment and plant facilities for the Institutions and to improve skills of students.

250. In accordance with the Government policy of decentralisation, 60 Districts have been completely decentralised and are being assisted with District Education Planning Teams. The remaining 50 Districts will be covered in the course of the fiscal year when they have been assessed. To ensure transparency and accountability at all levels of management, the institution of Performance Agreements for all Cost Centres will be strengthened.

251. Drug abuse, alcoholism, and the scourge of HIV/AIDS as well as other Sexually Transmitted

Diseases (STDs) have given impetus to our school health policy. A programme is being initiated to provide health services to schools. The initiative will cover nutrition programmes, developing monitoring systems for HIV/AIDS and designing disease surveillance programmes. An amount of ½1.1 billion has been provided to support school health programmes.

252. At the tertiary level, various construction projects have been earmarked for commencement, continuation or completion.

These include:

- ú The chemistry block at the University of Ghana, Legon which has been earmarked for completion at a cost of \$1,425,271.22 or ½9.98 billion. When completed, the University will be able to admit many more science students so as to achieve the 60/40 policy in favour of science-based programmes in the University;

- ú Construction of lecture halls at the University of Cape Coast, University College of Education of Winneba and the University for Development Studies, Tamale will be embarked upon to enhance the admission of more students. An amount of ½750 million is provided for this purpose. An amount of ½100 million has been allocated for the improvement of water systems at UDS, Tamale;

- ú The on-going construction and rehabilitation of classroom blocks and hostels in the polytechnics will be continued to enable them expand access. Special attention will be given to the newly established polytechnics at Wa and Bolgatanga to enable them admit fresh students in October this year. An amount of ½250 million is provided for the construction of 6-unit classroom block at Bolga Polytechnic

and ½100 million for Administration block at Wa Polytechnic; and

ú A total amount of ½450 million has been earmarked for KNUST to carry out construction/rehabilitation works on lecture theatres for Engineering, Pharmacy and Institute for Mining and Mineral Engineering (MME).

253. The funding of education delivery in the country has been a major constraint in the Education Sector. The establishment of the Ghana Education Trust Fund is to ensure sustainable funding of education. It is envisaged that an amount of ½358.3 billion will be realized in the year 2001. The fund would be operationalised to provide financial support for the development and maintenance of essential academic facilities and infrastructure; provide supplementary funding for the grant of scholarships to gifted but needy students; to support the operation of the student loan scheme; to train brilliant students as members of faculties and to undertake research and other academic programmes of relevance to national development.

254. In this regard, adequate measures would be put in place to ensure that the Fund is independently and efficiently managed.

Ministry of Health

255. The thrust for year 2001-2003 will focus on expanding coverage and improving the quality of health services. In this regard, particular attention will be given to human resource development, especially staff motivation; improving financial access to care through the promotion and establishment of a health insurance system. A health insurance fund is to be established this year towards the realisation of this goal. Focus will also be on the control and eradication of some selected disease problems including HIV/AIDS, malaria, tuberculosis and guinea worm.

256. The Ministry of Health will improve coverage and quality of health service to a larger population as well as strengthen and support population control activities, improve inter-sectoral collaboration and increase resource mobilization.

257. The issues of surveillance and monitoring of outbreaks of diseases as well as efficiency demands a modernisation of the information transfer network in the Ministry to more efficiently care for the Health of the nation. Therefore, an info-technetworking of the Ministry to the regions and districts will be

258. For the implementation of these programmes, a total budget of 422.22 billion is provided of which 158.29 billion goes to personal emoluments, 183.83 billion to non-wage recurrent and 80.09 billion to investment.

259. The Sector's priority targets for 2001 are to get 68 per cent of children fully immunized against the six killer childhood diseases, achieve 45 per cent supervised delivery, 15 per cent contraceptive prevalence and attain 0.4 OPD attendance per capita.

260. Intensified efforts will be made to achieve the following targets by the end of the year:

- ú Infant mortality rate of 50 per 1000 live births;
- ú Under five mortality rate of 100 per 1000;
 - ú Per capita utilization of health facilities of 0.5; and
 - ú Tuberculosis Cure rate of 85 per cent.

261. At the sub-district level, the focus will be on increasing access to health and more importantly ensuring equity in the distribution of health facilities at the lower level. To this end, 33 New Health Centres will be constructed and equipped at various locations of the country with Government contributing 3.24 billion. Similarly, 45 health centres have been slated for rehabilitation for the year 2001. In all 60 existing health centres have been targeted for re-equipping.

262. During the year, the Government intends to upgrade 12 Health Centres to District Hospitals at the cost of 8.25 billion. These include Ejura, Dodowa, Wassa Akropong, Nyinahin, Kumasi Metro, Asamankese, Begoro, Nkwanta, Juabeso, New Edubiase and Bimbilla.

263. In addition, 21 existing District Hospitals and 9 Polyclinics have been earmarked for rehabilitation for effective implementation of the policy of 24 Hour Health Service in the

country.

264. At the regional level, the construction of a new hospital will be completed in Sunyani. Two existing regional hospitals will also undergo some major refurbishment. These are Koforidua and Tamale. Minor rehabilitation will be undertaken on three (3) regional hospitals. This is an attempt to provide the support for increased student intake and more importantly turn out the requisite manpower required to Training Institutions in the country have been earmarked for rehabilitation.

265. Various departments have been slated for rehabilitation. These are Medical Block, Children's Block, Central OPD and Allied Surgery at Korle-Bu Teaching Hospital and Obstetrics and Gynaecologist Consulting Rooms, Maternity and Children's Ward and Offices for Surgeons at Komfo Anokye Teaching Hospital.

266. Under the Sucomex II Project, 64 hospitals have been earmarked for re-equipping.

267. In recognition of the fact that a majority of Ghanaians patronize traditional medicine, the Ministry's policy direction is towards the establishment of traditional medicine alongside allopathic, western orthodox, medicine. Effective collaboration will be established to foster the promotion and development of a traditional health care system. The Centre for Scientific Research into Plant Medicine (CSRIPM) will play a key role in this effort.

268. Following a recent review, it was agreed that the health policy goals are best served by a multi scheme health insurance system to replace the cash and carry system. Details of this system are being worked out. This is in line with His Excellency the President's directive in the Sessional Address.

269. In addition to all of the above, four specific areas of service delivery would be emphasised for priority attention. These are:

- ú HIV/AIDS/STDs;
- ú Malaria;
- ú Guinea Worm; and
- ú Tuberculosis.

270. An amount of ½6 billion has been earmarked for these activities.

271. The provision made for Ministry of Health is 422.22 billion for this year.

272. An amount of 12 billion has been allocated for free medical care for pregnant women, the aged and other vulnerable groups in the society as well as accident victims who require emergency treatment.

Ministry of Manpower Development and Employment

273. The Ministry's initiatives continue to be focused on addressing the national unemployment situation which has seen consistent change for the worse on a year to year basis. The strategic approach employed by the Ministry for employment generation has included efforts to improve the labour market information system, and labour productivity through policy formulation and review. In addition to these, the promotion of access by the disadvantaged and vulnerable to social services occupied the attention of the Ministry.

274. For the year 2001, the Ministry has been allocated an amount of 19.95 billion to implement its programmes and projects. The following programmes will constitute the Ministry's special areas of focus:

- ú Laying before Parliament of the draft Labour Bill for approval to pave the way for the establishment of a Labour Commission and the devolution of industrial relations authority from the domain of Government;

- ú Strengthening and developing the Employment Information Branch (EIB) of the Labour Department into a National Labour Statistics Centre in order to improve the collection, analysis and dissemination of labour statistics in Ghana;

- ú Establishment of a National Productivity Council to serve as a consultative, consensus gathering and policy making body which will drive a proposed

National Productivity Movement;

- ú Submission to Cabinet for scrutiny of the draft National Occupational Safety and Health Policy and legislation which seek to promote a safer and healthier working environment for our working population; and

- ú Collaborate with existing stakeholder institutions to develop a manpower development and utilisation plan for Ghana.

Ministry of Youth and Sports

275. In recognition of the vital role that the Ministry plays in our National development effort, an amount of ½16.95 billion has been provided in this year's budget to undertake its programmes and projects.

276. The Government recognizes as one of its foremost problems, the increasing spate of unemployment among the youth. In order to solve this problem, youth self-employment training programmes will be organised to develop the requisite entrepreneurial skills among the young people to create jobs for themselves. Programmes and projects for the youth will include:

- ú Construction work on the Wassa Amenfi Youth Leadership Training Institute in the Western Region will be completed;

- ú Work will begin on a ninth Leadership Institute at Nalerigu;

- ú Government will establish a Distance Education Programme for Youth development in collaboration with the Commonwealth Youth Programme, Africa Centre at the Institute of Adult Education, University of Ghana Legon to

award a Diploma in Youth Development Work to participants/students; and

ú Work on a Multi-purpose office complex which will house the NYC Headquarters will continue. An amount of ½400 million has been earmarked for the project.

277. The following sports programmes will be implemented:

ú A total of ½1.07 billion has been provided for the improvement of sports infrastructure. An additional amount of ½1.85 billion has also been provided to promote mass sport in order to improve the health and fitness of Ghanaians;

ú An amount of ½500 million has been approved for improvement of facilities at the Kumasi and Accra Sports Stadia; and

ú A further ½550 million has been allocated for improvement of facilities at other league centres.

278. Provision of ½7.04 billion has been made to enable Ghana host the Africa Cup of Nations Netball Competition expected to take place this year and participate in the following activities:

- i. Black Stars participation in the qualifying series of the Africa Cup of Nations and FIFA World Cup;
- ii. The National Women team's participation in the qualifying series of the Africa Championship and World Cup; and
- iii. Black Satellites' participation in the CAF

Under-20 Youth Tournament in Ethiopia.

279. Talent hunting for young and budding sportsmen and sportswomen will be intensified through the organization of Regional and National Competitions and the potentials so identified given systematic training and the necessary encouragement to enable them win laurels for the country.

280. An amount of ½569.99 million has been provided for upgrading the skills of Sports Administrators and Coaches as well as facilities at the National Sports College, in Winneba.

Ministry of Transport and Communications

281. The policy direction of the Ministry of Transport and Communications shall continue to be the creation of an enabling environment for the investment and development of the sector. In the area of communications, Government will in the course of the year focus attention on the development of information technology and its application to education, agriculture and industry among others in the country.

282. In the area of software development, it is the Government's position that this should be pursued in a manner that will make our strengths and capabilities amply demonstrated on the international market and shall utilise our cultural symbolism as much as possible. In furtherance of this policy, Government shall encourage the production of locally assembled personal computers, software and accessories for the Ghanaian market. To ensure a ready market, Ministries, public organisations and educational institutions shall be encouraged to make provision for local preference in any tender processes as it applies to consultancy and construction contracts. In addition, the Ministry shall as much as possible use local consultants or shall give preference to joint ventureship between expatriate and local firms in consultancy assignments.

283. The Ministry shall also follow up on the restructuring of the Ghana Broadcasting Corporation and the acquisition of satellite communications for its television and FM radio transmission.

284. Government will improve the equipment and infrastructural base of all meteorological services throughout the country to be able to analyse and forecast as well as improve the human resource capacity to enhance increased productivity.

285. On the telecom sector, Government shall encourage all operators to achieve set targets as provided for in their respective licenses and shall require the introduction of various value added services to really reflect the fact that telecommunication is an important component of private sector development.

286. In line with His Excellency the President's Sessional Address, the Ministry will formulate programmes that will enable some mass transport services to become operational by end of 2002. In this regard, the Ministry will in the course of the year encourage the private sector to import large occupancy buses for mass transportation. In addition, prospective foreign investors will be encouraged to team up with Ghanaians to operate mass transport services.

287. For the implementation of all these programmes, an amount of ½37.01 billion has been provided for the Ministry.

Ministry of Women's Affairs

288. As indicated in His Excellency the President's Sessional Address, Government has established a new Ministry of Women's Affairs headed by a Minister of Cabinet rank.

289. This Ministry will champion the cause of Ghanaian women and children through the promotion of gender equality and child development in order to achieve economic, social, cultural, health and educational empowerment.

290. To achieve this objective, a budget allocation of ½6.99 billion has been provided for the MOWA for the year 2001.

291. Some of the major activities to be undertaken by the Ministry are:

- ú Establish Ghana Women Centres and Children Centres in all the 10 Regions at District and Village levels at an estimated budget of ½1 billion.

- ú Establish Micro Financing Fund with an initial estimated capital of US\$3m to be sourced from donors/development partners; and

- ú Renovate and re-furbish the old American Embassy building for use as offices of the MOWA.

PUBLIC SAFETY SECTOR

292. The main objective of the Government over the medium term will be as follows:

- ú the protection of the territorial integrity of Ghana and its democratic system;

- ú maintenance of the security agencies in a high state of preparedness in the promotion of peace and stability in the country;

- ú ensuring the neutrality of members of the security agencies; and

- ú ensuring adequate protection of life and property as well as detection and prevention of crime.

293. For Public Safety, an amount of ½502.59 billion has been programmed to be spent this year.

Ministry of Justice

294. The Ministry will continue to deliver its services as the principal source of legal advice to the state in the transparent and professional manner, and would uphold the letter and spirit of the Constitution and the laws of the Republic to entrench further democracy, respect for human rights and the rule of law at the very core of the nation's body politic, thereby promoting peace, stability and good governance. It will undertake a thorough revision of the laws on

our statute books where necessary, to realize these objectives.

295. In line with the Government's objective to ensuring zero tolerance of corruption, the Ministry will actively promote and support measures instituted to prevent the commission of white colour crime. It will act decisively in collaboration with the Ministry of the Interior, that is the Police, CHRAJ, the proposed Office of Accountability and other agencies to ensure public accountability in the utilization of the nation's resources.

296. The Ministry will accelerate the pace of the implementation of the Legal Sector Reform Programme in its bid to create a more credible, responsive and effective legal system to ensure increased efficiency and minimise delay in the administration of justice.

297. For the Ministry of Justice, an amount of ½23.07 billion has been allocated for its activities for 2001.

298. Major capital expenditures for the MDA this year will include:

- ú The construction of the Law House to accommodate the Attorney General's Department, the Legal Aid Board and the Law Reform Commission;
- ú The continuation of the following projects: the library complex for the Ghana School of Law; the Head Office building of the Serious Fraud Office and its zonal offices; and the 12 Regional and 12 sub Regional Offices of the Attorney-General's Department in Accra, Sekondi, Kumasi, Sunyani and Ho;
- ú The provision of logistics support for the Attorney-General's Department, the legal Aid Board, the Law Reform Commission and the Council for Law Reporting;
- ú The completion of the office block extension and the erection of two additional

floors to the existing front office of the Registrar-General's Department; and

- ú Assistance in the mechanization of court processes and activities.

Judicial Service

299. The main objectives of the Judicial Service are to promote the rule of Law, transparency, efficiency and a faster administration of Justice.

300. In this regard the major policies outlined for this service will include the following:

- ú Promoting an efficient and impartial system of judicial administration;
- ú Providing an efficient, honest and independent forum for the resolution of commercial and investment disputes to facilitate a free enterprise and market-oriented system; and
- ú Protecting human and private property rights.

301. An amount of ½38.08 billion has been earmarked for the Service's activities for the year 2001.

302. The Service will pursue the following projects in the year:

- a. Refurbishment of 5 court registries and 14 Court rooms in Accra, Tema and Kumasi at a cost of ½2.56 billion;
- b. Continuation of phase II of the New Administration Block in Accra at a cost of ½2.5 billion;

- c. Establishment of 5 special Courts at
½377.4 million in Accra, Kumasi and Takoradi;
- d. Rehabilitation of existing Court rooms and
bungalows at Wa, Bawku, Bolgatanga, Tamale,
Kumasi and Koforidua;
- e. As a part of the Judicial Sector Reform
Programme, an amount of ½991.67 million has
been programmed as GOG counterpart funding to
effectively reduce the backlog of cases in the
Circuit Courts and Tribunals; and also
mechanise 66 Superior Court rooms and 37
Registries.

Ministry of Defence

303. The main policy thrust of the Ministry over the medium term will be to:

- ú Enhance the efficiency and combat
readiness of active service personnel through
the implementation of improved training to
facilitate the career progression programmes of
personnel;

- ú Explore in conjunction with the personnel
of the armed forces the possibility of defining
an additional new role for the Forces. In this
vein, the Government will tap the rich
organisational ability, technical skills and
the discipline of the forces to deal with major
developmental problems such as poverty and
illiteracy; and

- ú Ensure that a larger percentage of the

funds generated through peace keeping activities is paid to the troops to boost morale.

304. An amount of 231.74 billion has been earmarked for the Ministry of Defence for its activities for the year 2001.

305. For the year 2001, the Ministry will embark on the refitting of naval ships at the Sekondi Naval Base.

306. Government's commitment to UNAMSIL operations will continue this year.

307. To ensure the safety of aircraft, a provision of 9.0 billion has been made for the continuation of their maintenance.

308. A provision of 4.0 billion has been made for the continuation of the Armed Forces Housing Project.

309. For effective and efficient communication, an allocation of 5.0 billion has been made for the commencement of the Burma Camp Exchange Project this year.

Ministry of the Interior

310. The thrust of policy for the Ministry of the Interior will be the maintenance of law and order as well as the detection and prevention of crime.

311. Some of the policies for the Ministry of the Interior for the medium term are:

- ú Protection of life and property;

- ú Prevention and detection of crime;

- ú Accelerated recruitment into the Police Service with the view of achieving a ratio of policemen to population of 1:1000;

- ú Continued retraining of service personnel in all agencies to enhance efficiency; and

- ú Improvements in logistics/equipment holding of Agencies under the Ministry.

312. A provision of ½203.82 billion has been made for the Ministry for the year 2001.

313. In recognition of the important role Police play in crime control and the maintenance of law and order, the following activities will be undertaken in this financial year:

- ú The Police will recruit and train a total of 1,000 personnel by the end of the year to meet the challenges facing the service;

- ú As part of its programme to ensure adequate protection of life and property, the Police Service has been allocated an amount of ½1.4 billion for the purchase of equipment and other logistics to enhance their operations;

- ú The Criminal Investigation Department (CID) has been allocated an amount of ½1.39 billion to enable the Department acquire modern crime prevention/detection equipment and vehicles to increase their effectiveness; and

- ú An amount of ½6 billion has been made available to the Police Service to complete on-going projects and rehabilitate various Stations and Barracks nationwide.

[return to top](#)

SECTION SIX: POLICY INITIATIVES FOR 2001

314. Mr. Speaker, the problems of the economy in the last 2 years have shown how weak and fragile the economic fundamentals are and hence the inability of the economy to withstand adverse external shocks.

315. Government will initiate policies and programmes to address the problems of continuous decline in economic growth rates; rising unemployment; an accelerating inflation rate coupled with rising interest rates which is stifling production; an unmotivated private sector; the deteriorating position of the cedi against the major currencies; and a huge Government debt and fiscal deficit. Government will tackle these problems in order to bring a positive change in the lives of Ghanaians through "the wealth creation programme".

Public Finance Management

316. Government is disturbed by the impunity with which the financial regulations are being violated either through acts of commission or omission resulting in the abuse of state resources. It is important to draw attention to the Government's avowed declaration of a zero tolerance for all acts of corruption.

317. I wish to serve notice of my determination to ensure that all financial regulations are scrupulously enforced. I therefore wish to urge all my colleagues to ensure that agencies under them strictly comply with the Financial Regulations and all other directives.

318. To improve the integrity of Government payrolls, Heads of Management Units are required to confirm the existence of their staff by signing the relevant portion of the payroll monthly. Heads of Management Units who fail to comply with these directives will be sanctioned. Furthermore, the Controller and Accountant-General's Department will conduct payroll audit to ensure compliance and elimination of ghost names.

319. Government is committed to strengthening public finance management. It will therefore ensure that:

ú Internally generated funds that hitherto did not get into the Consolidated Fund are lodged into the Fund as required by law;

ú There is value for money in the execution of projects and other Government activities. To this end, all MDAs are expected to audit and review all existing contracts, the supply of goods and services including consultancies with the view to ensuring transparency and accountability. The Attorney-General and Minister of Justice will assist appropriately;

ú Agents that collect tax revenues on behalf of Government such as the Ghana Private Road Transport Union (GPRTU) pay all such monies into the Consolidated Fund;

ú The budgeting, expenditure monitoring and control, accounting and treasury functions in the Ministry of Finance are strengthened.

320. As part of measures to control and eliminate the payment of unapproved allowances, subvented organizations will be required to submit the previous month's actual payroll to the Controller and Accountant-General before the current month's release is effected. In addition to this, all subvented agencies will have their votes for salaries transferred into separate accounts at the Bank of Ghana. As a general proposition, Government has decided to remove all regulatory bodies from the list of subvented agencies and explore alternative measures for their financial support.

321. Government is committed to reducing the country's domestic debt, whose interest payment now constitutes about 15 per cent of the entire Government expenditure. For the year 2001, Government will reduce its borrowing from the domestic market. In place of this, Government will consult its development partners in an attempt to secure long term financing to support the budget. Divestiture proceeds will be used to pare down the central Government stock of domestic debt.

322. Government is deeply committed to the restoration of expenditure monitoring and commitment control, not only to support fiscal discipline but also to ensure that the use of scarce Government and donor resource is properly prioritized and accounted for. Towards this end, Government has decided to establish an Economic Policy Co-ordination Committee at the Ministerial and Technical levels to include officials from key Ministries and the Bank of Ghana. This Committee will be operational by 31st March, 2001.

323. Government will carry out a financial audit of road arrears with a view to determining that value is obtained for money to be spent.

Divestiture and the Divestiture Implementation Committee (DIC)

324. Government has decided to continue the Divestiture Implementation Programme as a sign of its commitment to the development of the private sector. However, in view of the public outcry on the manner in which properties of the state were divested, Government has decided to carry out financial and managerial audit of the DIC as an institution.

325. Furthermore, Government will audit and review some divested companies whose divestiture may have been tainted with corruption and fraud with the view to ascertaining how transparent the exercise was with respect to pricing, modes of payment and procedures used in taking over the assets of the companies.

326. A clear aggressive programme of divestiture reform will be pursued, which will limit the role of the Government in the economy, reinforce the private sector and facilitate the mobilization of donor programme support. The Government will come out with its divestiture programme for the fiscal year 2001 by the end of April, 2001.

Finance and Management Audit

327. Mr. Speaker, as a demonstration of our commitment to a transparent strategy to deal with the debt of parastatal enterprises, there will be a thorough financial and management audit of certain institutions including the following institutions with a view to improving on transparency, minimizing corruption and ensuring accountability:

- ú Ghana National Petroleum Corporation (GNPC);
- ú Bulk Oil Storage and Transport (BOST);
 - ú Tema Oil Refinery (TOR);
 - ú Electricity Company of Ghana (ECG) Limited;
- ú Ghana Water Company Limited (GWCL);
 - ú Timber Export Development Board (TEDB);
 - ú Social Security and National Insurance

Trust
(SSNIT);
ú State Insurance Company (SIC) Limited;
and
ú Vanef/STC

328. Government will appoint a committee to come out with recommendations for the restructuring of these institutions themselves and their respective debt obligations after the completion of the financial audit.

Tax Reliefs

329. Mr. Speaker, with the Income Tax Law (Act 592, 2000) in place, the following reliefs have become effective:

ú Personal Basic Relief

- With effect from January this year, the minimum taxable personal income has been raised from ½900,000.00 to ½1,200,000.00.
- The top marginal tax rate of 35 percent applicable to incomes in excess of ½17.4 million is now applicable to incomes in excess of ½48.0 million.

ú Reduction in Top Marginal Tax Rates

- The top marginal rates for employees and the self-employed have further been reduced from 25 per cent to 20 per cent for the middle upper income groups and from 35 per cent to 30 per

cent for the upper income groups.

ú Other Reliefs

- An individual with a dependant spouse or at least two dependant children - $\frac{1}{2}$ 300,000.00 per annum (marriage/children's relief);
- A disabled person engaged in a business or employment - 25 per cent deduction from his assessable income (disabled person's relief);
- Any person of or above the age of 60 years is entitled to $\frac{1}{2}$ 300,000.00 per annum as relief from any business or employment (old age relief);
- A relief of $\frac{1}{2}$ 240,000.00 per annum is granted any person sponsoring the education of his child or ward in any recognized registered education institution (children's education relief) limited to 3 children;
- An individual is allowed a relief of $\frac{1}{2}$ 500,000.00 in respect of cost of training, which updates or improves his professional, technical or vocational skills (training cost relief).

330. Mr. Speaker, I will like to mention here that the marriage/children's, disabled persons, old age and children's education reliefs will now be enjoyed upfront through the information provided by the worker's employer unlike in the past where these reliefs are paid after filing tax returns.

Revision of Corporate Tax Rates

331. Furthermore, in the new Tax Law (Act 592, 2000) Corporate Tax Rates have been reduced from 35 per cent to 30 per cent for companies listed on the Ghana Stock Exchange and 32.5 per cent for unlisted companies.

Withholding Tax

332. The rate of withholding tax has been increased from 5 per cent to 7« per cent.

Rent

333. Even though the law is clear on payment of rent income, not many landlords do so. It must be emphasized that IRS and the new National Tax Audit Team when formed will enforce the rent law.

Poverty Reduction

334. The establishment of the Poverty Alleviation Fund under the District Assemblies Common Fund is one of the good initiatives of the NDC Government but its implementation left much to be desired.

335. The use of the Poverty Alleviation Fund will be integrated into the Poverty Reduction Strategy of the Government and, where appropriate, the experience and expertise of the National Board for Small Scale Industries and the Rural Banks will be used to help with the administration of the Fund to support the small and medium scale enterprises at the district level. The proper and judicious use of the Poverty Alleviation Fund will generate employment in all the Districts.

336. Government has been concerned that about 40 per cent of Ghanaians are classified as poor

and about 27 per cent as extremely poor and will therefore pursue policies that will accelerate the improvement of the welfare of the poor.

337. Government has therefore initiated a

revision of the earlier Policy Focus for Poverty Reduction which will culminate in a new Ghana Poverty Reduction Strategy. This strategy will comprise measures to stabilise the economy

including a debt management policy, a long-term growth and fully costed poverty reduction programme and projects with greater emphasis on the eradication of extreme poverty for the period 2002-2004.

338. For the 2001 Financial Year, Government has allocated 1,979.5 billion, representing 31.3 per cent of total discretionary expenditure, to improve access to basic social services and infrastructure for the poor. About 60 per cent of this allocation is earmarked for basic education, primary health care and provision of safe drinking water for rural areas. This is in line with Government policy to reallocate budgetary resources to address the problem of poverty.

Loan Recovery

339. Mr. Speaker, the Government has made Loan Recovery one of the cardinal objectives of this

year's budget. This Government is determined to ensure that monies borrowed are not regarded

as gifts but funds that must be repaid so that they can be re-channeled to assist other entrepreneurs.

340. In the past, a large proportion of beneficiaries of such facilities consistently failed to repay the loans. For example, only 10 per cent of the amount initially loaned out from the Business Assistance Fund (BAF) has been repaid.

341. Other facilities include bilateral grants

such as those from Canada, Germany, Japan and the United Kingdom for which huge amounts are

outstanding.

342. Mr. Speaker, Government hereby directs that all such defaulters should make repayments of the amounts outstanding against them by the end of May this year, after which time the Ministry of Finance will compile the list of all such loan defaulters and institute all available measures to recover the amounts outstanding.

343. All MDAs which have availed themselves of credit facilities at Commercial Banks and other sources are reminded that they require the prior approval of the Minister of Finance. MDAs who have obtained such credit facilities are required to regularize these transactions by 30th April 2001.

344. Banks are reminded that they are not permitted to give credit facilities to MDAs without the prior approval of the Minister of Finance.

Encouraging Private Savings

345. Government deplores the current procedure for operating savings accounts in some of the commercial banks within the country. In some cases, initial amounts of not less than ½500,000 are required to enable people open savings accounts. While appreciating the administrative difficulties in the maintenance of such accounts, Government nonetheless feels this is a discouraging factor in the efforts to mop up excess liquidity in the system among others.

346. In this connection, Government will request that commercial banks review the requirements for operating savings accounts with a view to minimizing the burden on prospective clients.

Halt on Contract Appointments

347. Ghanaians were informed a few years ago that Government was to put a stop to the process whereby top public officials, upon reaching their retirement dates, are given contracts of 1-3 years, renewable, to continue working in the same capacities. It now appears

that this was never implemented.

348. There are still large numbers of such officials in the public service collecting pensions as well as the salaries they currently earn.

349. This procedure is not helpful to our nation as there is no future for the young talented individuals who aspire to reach those high positions in time.

350. Henceforth, all such contracts within the public services and State Owned Enterprises (SOEs) will be limited to medical and para- medical staff as well as University Lecturers, where it has to be established that the services of such staff are required.

351. All existing contracts for other MDA's will not be renewed upon expiry.

Project Execution

a. Certificate for Commencement of Work

352. To ensure that only projects that have been approved in the budget are implemented, Government will continue to pursue and deepen the use of the commencement certificate as a condition for the payment for work executed.

353. All Project Consultants and MDAs are to note that the Ministry of Finance will not tolerate any interim payment certificate prepared for payment without the commencement certificate and this includes certificates for consultancies. For the avoidance of doubt, it should be noted that henceforth all MDAs including the Departments of Feeder and Urban Roads and the Ghana Highways Authority are to observe this directive on the issuance of commencement certificate as a pre-requisite for start of work.

b. Donor Supported Projects

354. Contracts under these projects are required to be processed only through the respective District, Regional and Central Tender Boards. Progress reports are also required to be submitted to Ministry of Finance before subsequent release of funds are made.

Government Acquired Lands

355. Over the years Government has acquired lands for various developmental purposes for which there are outstanding payments.

356. In many cases some of these lands have only been partially developed or remained undeveloped and stand the risk of encroachment.

357. Government will therefore study and list all state acquired lands, indicating their status with respect to stage of development, compensation payment and current relevance of the acquisition with a view to formulating policies to deal with the problems associated with acquisition and compensation.

The Ghana AIDS Commission

358. As part of the concerted effort at stemming the alarming increase in the rate of HIV/AIDS infections in Ghana, Government has set up the Ghana AIDS Commission. This supra

ministerial and multi-sectoral body has been set up to direct, manage, coordinate, monitor and evaluate all activities in the fight against HIV/AIDS in Ghana.

359. Specifically, the objective of the AIDS Commission is to reduce the incidence of HIV/AIDS by 30 per cent by 2005 and improve the quality of life of people living with HIV/AIDS and people affected by HIV/AIDS.

Private Sector Policies

360. Government recognises that the driving force behind sustainable economic growth is a more dynamic, innovative and vibrant private sector, which is capable of competing in the global market. Government will therefore embark on a more productive and integrated industrial sector policy with the private sector as its focus with the aim of restoring

business confidence in the economy. Appropriate technological innovations will be encouraged to increase the productivity of investment which is currently low by international standards.

361. It is to address these issues that Government has appointed a Minister of State for Private Sector Development who will work towards the:

- ú pursuance of transparent policies;

- ú elimination of bureaucratic impediments to both domestic and foreign investors;

- ú creation of the necessary framework for the protection of property rights and business contracts;

- ú retraining and redirection of labour to productive activities; and

- ú establishment of a positive partnership between Government and the private sector in order to uplift business activity in the economy.

Small Business Services

362. Mr. Speaker, Government recognizes that 'the engine of growth in the free enterprise economy is small business and self-employment'. In this regard, Government will establish a company to be called Small Business Services (SBS) Ghana, as a public-private partnership to support the development and growth of small to medium sized enterprises (SMEs). This company

will cater for start-ups under an Enterprise Agency and Business Network for existing businesses with growth potential.

363. The SBS Ghana will:

- ú Establish a one-stop shop to offer advice, and practical help for start-up and growing one's own business. This would bring together all Government initiatives for SMEs under a strategic direction;
- ú Provide expertise, advice and support in management skills;
- ú Help in nurturing and training young entrepreneurs to realize their full potential;
- ú Assist in providing funding for business start-ups;
- ú Assist existing businesses with growth potential to become sub-regional leaders, if not world-class leaders;
- ú Set up centers of excellence to develop our unique natural talents in areas that we could develop market in the West African sub-region and other parts of the world;
- ú Seek to streamline Government legislation and regulations to aid SMEs; and
- ú Encourage SMEs to make meaningful use of Information, Communication, and Technology (ICT) to add value to their products and services.

Special Incentive for Value Added Processing of Cocoa and Gold

364. It is recognized that the special fiscal and other incentives in the mineral and mining law of 1986 played a pivotal role in stimulating investment and production in the gold mining sector. The process will be taken a step further. A team will be put together by the Minister for Private Sector Development to consider and recommend special incentives for entrepreneurs - local and foreign - willing to go into value added processing of cocoa and gold.

Revenue Enhancing Measures

365. The problem of revenue collection is not but a problem of corruption, evasion and misapplication of discretion. For instance, facts available to the revenue agencies and recommendations from various studies carried out by some of our development partners and ourselves point to the gross misuse of NGOs operating in the country. Reports from CEPS indicate the abuse of the mining list and misapplication of concessions granted under the GIPC.

366. The aim of the Budget is to take pragmatic and drastic methods to address these problems which have adversely affected revenue levels in the country.

367. The fact that our revenue agencies exceed their targets every year is a clear manifestation of the wrong assumptions underlying the setting of revenue targets by these agencies.

368. Government will improve revenue mobilization efforts through a combination of measures. These include review of the tariff and the exemption regimes as well as an improvement in the operational capacity of the revenue agencies. Specifically, these measures will be taken:

Revenue Agencies (Governing) Board

369. Government will ensure that the Revenue Agencies (Governing) Board, established under

Act 585 of 1998 is put in place by 30th April 2001. The Board will be the central governing body in place of the existing governing boards of the respective national revenue agencies.

Streamlining Procedures for Clearing Goods from the Ports

370. The proliferation of permit issuing institutions leads to undue delays and increased cost to importers. Under the auspices of the Minister of State for Private Sector Development, a committee will be set up to assess the possibility of consolidating the grant of permits in one location to reduce transaction costs and time.

Imposition of VAT on Imported Pharmaceutical Products

371. In response to the plea of the Association of Ghana Industries (AGI) for conditions that create a uniform playing field for local industries, importers of finished pharmaceutical products as defined under Chapter 30 of the Harmonised System (HS) Code will now be required to pay 12.5 per cent VAT on the c.i.f. value of their products. The Minister of Health will provide an exemption list to the Minister of Finance and CEPS for special drugs such as vaccines. Retailers of pharmaceutical products will, however, continue to be exempt from VAT registration.

Review of Fees and Charges

372. Fees and charges which were set at certain rates several years ago will be reviewed to reflect economic rates. In some cases, current rates are below the cost of collecting these fees and charges. In this connection, Mr. Speaker, I intend to submit to this House the relevant legislative instrument to amend these fees and charges some of which were established as far back as 1978.

Appointment of a Games Commissioner

373. Mr. Speaker, the lottery industry is a rich source of revenue mobilization for

investment and development and therefore there is public interest in ensuring its orderly growth and development. The Government will appoint a Games Commissioner to regulate the

business of lotteries and betting to operate from the Ministry of Finance by the end of May 2001.

374. Mr. Speaker, the Commissioner will be expected to enforce the existing legislation relating to the lottery industry. The Commissioner will also be responsible for registering and licensing all lottery operators including the Department of National Lotteries. The Commissioner will formulate policies and institute measures to prevent fraud and malpractices in the lottery industry. In addition, he or she will be expected to advise the Minister of Finance on major policies and measures to resolve conflict and ensure fair and orderly operation in the industry.

375. All agreements with the Department of National Lotteries relating to the lottery business which are not yet operational should be suspended until further notice to enable the Ministry of Finance study their revenue implications.

Review of Tax System

376. Government will review the tax system in order to bring about greater efficiency in collection, plug loopholes in the system and reduce revenue losses through evasion, avoidance and corruption. Laws on collection of fees and charges and payment of same into the

Consolidated Fund, which some MDAs have overlooked in the past, will be enforced to ensure that monies due Government are duly paid into the Consolidated Fund.

Widening of Tax Base

377. Mr. Speaker, as part of measures aimed at widening the tax base, it is proposed to reduce the VAT threshold from ½200 million to ½100 million for retailers of goods except retailers of pharmaceutical products which shall remain exempt.

378. In addition to the above, steps will be taken to provide logistics to the Internal Revenue Service to enable them deepen the tax coverage, particularly in urban centres so as to rope in landlords, artisans and traders some of whom have not been paying taxes on incomes as required by law.

Airport Tax

379. Airport Tax has been increased from US\$20 to US\$50 with immediate effect. The increase of US\$30 will be paid into the Consolidated Fund.

Establishment of Tax Courts

380. Government through the Ministry of Justice and the Judicial Service will set up and operationalise Tax Courts to expedite action on tax related issues. These Tax Courts will be established in every region.

Taxes on Professional Practice

381. Private consultants and persons in professional practice such as lawyers, architects and engineers, some of whom have hitherto not been paying taxes on their income are advised to do so. Tax clearance certificates will be required before contracts are awarded to any professional or consultant by MDAs. MDAs are also required to submit a list of all contracts awarded to consultants to the IRS and the Ministry of Finance.

Dividend Payment

382. There will be a special exercise to pursue the collection of dividends from companies in which government has investment and for which payment of dividends has not been made for many years.

Exemptions

383. During the year 2000, over 22 per cent of our imports were admitted exempt from import duty. It is proposed that except for goods imported by the Office of the President, Diplomatic goods and Personal effects all other imports to be admitted exempted from import duty shall attract a CEPS processing fee of 1 per cent on the c.i.f value.

384. The principle underlying exemptions will be reviewed. In particular:

- ú All zero-rated imports will now attract a concessionary duty rate of 5 per cent;

- ú Gifts of a charitable nature imported by NGOs under exemptions will be limited to only health and education. All other items brought in by any other NGO will attract normal import duty unless Parliament grants the exemption.

- ú Exemptions under the Mining List approved by the Minerals Commission under the Minerals and Mining Law, 1986 will be restricted to plant, machinery and equipment. All other items which are currently exempted under the Mining List apart from the above will now attract a concessionary levy of 5 per cent. Since 1997, CEPS has made recommendation towards the imposition of this levy. Tax holidays under GIPC Law, Act 478 will be reviewed with a view to limiting the tax holiday to not more than ten years after which they will start paying normal taxes.

Import Duty on Materials for the Manufacture, Processing of or Prospecting for Timber and Natural Products

385. Under existing arrangement, materials for the manufacture, processing of or prospecting for timber products are exempted from import duty.

386. However, a large range of these items is used in areas other than the timber industry. Monitoring of the facility by CEPS has revealed some level of abuse arising from misapplication. These items will now attract an import duty of 5 per cent on the c.i.f value.

Other Revenue Enhancing Measures

387. Other measures envisaged for the enhancement of revenue collection this year include the following:

- ú Automation of CEPS warehousing facility to facilitate monitoring;

- ú Regular, but unannounced physical inventory of warehouses;

- ú Full automation of Customs Procedures, at the Kotoka International Airport;

- ú Initiation of a Trade Agreement on Transit Trade with Togo, Burkina Faso and Cote d'Ivoire to ensure exchange of information so as to eliminate revenue leakages;

- ú Intensification of patrols along the borders to reduce smuggling; and

- ú Establishment of a more efficient operation of the revenue agencies which is expected to subsequently reduce tax evasion. In this regard, an integrated National Tax Audit Team (NTAT) composed of professionals outside the revenue collecting agencies will be set up at the Ministry of Finance. This unit will be equipped to randomly conduct audit of

companies and individuals and will be in place by 1st May, 2001.

Public Procurement Reform

388. The Government of Ghana, desirous of maximising the gains it made in the Public Financial Management Reform Programme, has embarked on a complementary reform of public procurement. The aim of the public procurement reform is to assist in generating budgetary savings to help the country maximise developmental returns from efficient use of national economic resources. It is also to enhance the nation's standing in attracting investments.

389. The public procurement reform entails the streamlining of the system of procurement for goods, works and services and the establishment of an effective monitoring and tracking system for tendered, negotiated and sole-sourced contracts for goods, works and services. The formulation of a national procurement code as well as the establishment of a mechanism for monitoring compliance with the code is envisaged.

390. These proposals will first be reviewed by the Public Procurement Oversight Group (PPOG) and subsequently at a national workshop to be held in April 2001.

391. In the meantime all MDAs are expected to audit and review all contracts for the supply of goods and services including consultancies with the view to ensuring transparency, accountability and value for money. This should be done with the advice of the Minister necessary.

Financial Sector

392. Mr. Speaker, recent developments and the insolvency and subsequent liquidation of three commercial banks and a number of rural banks do not help the maintenance of public confidence and hence in assisting the banks' deposit mobilization efforts. To ensure the soundness

of the financial sector, the Government is committed to strengthening the ability of the Central Bank to supervise the sector, while ensuring that it is the private sector which owns and manages the institutions in the sector.

393. There is the need for the banks to provide innovative products, adoption of high professional standards, prompt attention to depositors needs and the shortening of customer turnaround time to reduce the transaction cost of banking by the public and increase consumer convenience.

394. To further enhance the operations of the financial system, two new proposed laws, the Bills and Cheques bill and the Payment System bill, have been prepared and will be laid before this august House for your consideration.

395. The clearing system also needs further improvements. The effective use of telecommunications and complete automation of the clearing system would ease the payments system, expedite the clearing of cheques and encourage public confidence in the use of cheques.

396. On the payment system itself, tenders will be invited for the installation and operation of a Real Time Gross Settlement system for high value inter-bank payments. This should come on-stream in the course of the year. The scheme of accreditation for printers of cheques and other security instruments will also be pursued this year.

The Insurance Sub-Sector

397. The insurance companies and pensions funds are the basic long-term financial institutions. They are a vast potential source of long-term savings. If properly managed, these sources can provide a formidable pool of long-term savings for investment within industry.

398. Indeed, the weak performance of long-term savings institutions coupled with the related inability of the Ghanaian capital markets to source long-term funds for industry, agriculture and real estate, is a major source of pressure on medium and short-term financial institutions like the banks whose real function is to provide working capital, trade finance and bridging loan facilities.

399. The weak links in the insurance sub-sector needs to be addressed to strengthen its capacity to mobilize long-term savings. As all efforts are made to stabilize the cedi and other macro economic variables, the sector should be able to re-engineer itself to provide the much needed missing link in the national effort towards economic growth and development.

Over-Aged Vehicles

400. Compliance with the law on over-aged vehicles is improving as fewer of such vehicles have come in during the last 6 months. However, in order to decongest the ports of vehicles (older than 10 years) that have been confiscated under the existing law, and raise revenue, owners of affected vehicles will be permitted to take custody of them by paying the duties chargeable in addition to a penalty of ½1 million for vehicles below 1700 cc and ½3 million for vehicles above 1700 cc and all commercial vehicles. All such vehicles must be cleared by the end of April 2001 at the current rate and will take effect from today.

National Reconstruction Levy (NRL)

401. As part of the methods to raise funds to support the Government during this financial crisis, the Government is to establish a levy to be known as the National Reconstruction Levy to be sourced from banks, pension funds and insurance companies which will contribute 15 per cent of their gross profits after providing for bad and doubtful debt during the period 2000-2002.

402. Additionally another levy of 2.5 per cent of the gross profit before tax of companies operating in Ghana shall be imposed for a limited period of time, 2000-2002.

Cocoa Industry

403. During the past two years, the world cocoa market has experienced profound weaknesses, culminating in world prices plummeting to their lowest in 30 years in December, 2000 when the price hit a low of €506 per tonne.

404. A combination of factors led to the downward trend in prices. Notable among these are:

- ú The disappearance of forward sales in La Cote d'Ivoire following the full liberalisation of the cocoa sector in the country;

- ú Perception of increase in production in La Cote d'Ivoire, Ghana and Indonesia as a result of good weather conditions;

- ú Poor demand for cocoa as a result of the financial and economic crisis in Asia, Brazil and the Russian Federations.

- ú The availability of large stocks of cocoa beans projected to be 1,082,000 tonnes at the end of the 1999/2000 season.

- ú The substitution of 5 per cent vegetable fat in chocolate products by the European Union. This is expected to reduce the already low demand for cocoa products.

405. From these developments the following measures will be pursued to sustain the cocoa industry:

- ú Increased production, particularly yield per hectare by assisting farmers to

rehabilitate and replant old, abandoned and destroyed farms in the cocoa growing areas with high yielding hybrid varieties through the adoption of productivity enhancing technologies and increased access to credit;

ú Improve the quality control system and input supplies. Steps will be taken to ensure that the meager of Cocoa Extension Services with the Ministry of Agriculture Extension does not suffer. Quality control responsibility will be maintained with a public institution;

ú Improve the internal and external marketing of cocoa through competition and equal access to Cocobod's warehousing and crop financing facilities;

ú Encourage more local processing; and

ú Increase producer income.

Bonus Payments to Farmers

406. In line with the cocoa sector reform strategy worked out with stakeholders, the Government intends to continue to increase the farmers' share of cocoa export prices. In the current crop season, the share will be raised to at least 65 per cent.

407. Following a review of the projection of key variables used in the determination of producer price and other rates for the 2000/2001 main crop season, it has become

necessary to compensate cocoa farmers for the loss in revenue resulting from these developments. The compensation will be equally shared between bonus payment to the farmer and mass spraying of their cocoa farms.

408. With the payment of this compensation, the cocoa farmer's share of the f.o.b. price is restored to 67 per cent. Consequently, Government has decided to pay to cocoa farmers a total of 80.38 billion which translates to an additional 12,406.25 per bag (or 198,500.00 per tonne) for all purchases made last season.

Mass Spraying of Cocoa Farms

409. In order to generate employment in the rural areas and improve the husbandry of cocoa farms, Government will undertake a national mass spraying of all cocoa farms before the next main crop season.

Improvement Works on Selected Cocoa Roads

410. The rehabilitation of some selected cocoa roads, which are on the primary routes for the evacuation of cocoa but are in very poor condition will be rehabilitated by Cocobod. An amount of 8.1 billion has been earmarked for this purpose.

[return to top](#)

SECTION SEVEN: CONCLUSION

411. As stated by His Excellency the President in his first message to Parliament, "The past year has been a poor one for our country economically. We were well aware of that before our inauguration into office. But discovering the depth and extent of our financial plight since the inauguration on 7th January, has been as shocking as it has been sobering."

412. In his budget statement last year, the former Minister of Finance, Hon. Kwame Peprah said and I quote: "Let us all take note, however, that when the economy goes off-course in an election year, it takes years of belt-tightening and further harsh fiscal measures to bring it back on course. We must all undertake to put Ghana first even though it is an election year. Let us all accept that whatever damage may be done in this election year, the party that wins will find it difficult to repair it." This is indeed prophetic as we are finding it extremely difficult to repair the damage the NDC Government has inflicted on the nation as predicted by Hon. Kwame Peprah.

413. Given the current economic malaise that the country finds itself in, the 2001 budget aims at stabilising the economy for the year. The provisions that Parliament is being requested to authorise for spending under the programme we have presented to you today, should be considered as being made subject to one overall condition. They will be implemented only after we have made firm arrangements for their non-inflationary financing. We have called this an interim budget because it can only be implemented subject to the requirement that revenues and expenditures will be held in such a balance as to avoid the huge budget deficits of the recent past. The over-riding thrust of policy is to create a sane and sound financial environment. Such an environment is necessary to meet the needs of both the public and private sectors of the economy: it should enable Ghana move into the trajectory of high economic growth of which the nation is capable. Two months after taking office our Government is still uncovering the exact magnitude of various holes and gaps in the financial position which it has inherited.

414. Just take one example, the NDC Government ended its days by going on an irresponsible spending spree in the very last quarter of Fiscal Year 2000. The Bank of Ghana suddenly found that, without any prior agreement or planning, the Government had increased its overdrawn position from 3 billion at the end of September to about 900 billion by the end of December. The interest charges that the Government would have to pay if we tried to regularise that single episode of casual mismanagement by issuing treasury bills to retire the overdraft would amount to a cool 350 billion in a full year. Just think of the

beneficial investments in social facilities and infrastructure that could be financed with that kind of money out of the taxes that are paid even by the poorest people, instead of spending it on interest charges arising from such a mountain of unscheduled spending.

415. All ministries, departments and agencies have already encountered in the Ministry of Finance a seemingly unsympathetic stonewall against their just requests for money to embark on important new programmes which they need to undertake in order to make an immediate start

towards fulfilling some major political commitments of our Government. But we have to move with the utmost caution. So that even with the modest programme presented in this budget,

actual spending will be contingent on the actual inflow of revenues. When the Government spends money beyond what it has already collected in revenues, then the deficit always has to be balanced with either getting further loans and grants from outside, or raising further loans from an already over-stretched domestic capital market through issuing more and more treasury bills at prohibitive cost, or simply by printing more cedis. It is just that sort of financial management that steadily eroded the value of our currency, threatened Ghana's international solvency and fuelled a rampant inflation which is the cruellest tax on the lives and welfare of the poorest members of society.

416. An enormous hole in the budget will appear if even we only implement the modest spending proposals that have been admitted into the present Appropriation Bill. That hole could still amount to as much as 2.6 trillion even if we take into account all the additional revenues that can be raised from the new taxes that we have regrettably had to levy on all Ghanaians in this budget. Therefore we have to put a double lock on Government spending until

we have seen the reactions of Ghana's development partners to these initiatives.

417. Accordingly, during the coming six months, the Ministry of Finance will only authorise payments to the extent of actual receipts of revenues, loans and grants. Statutory payments will continue to take precedence in these allocations, followed by public service wages and salaries and related payments. All other expenditures will remain frozen for the time being. And they will only be unfrozen by specific and express authorisation from the Ministry of Finance.

418. Certain types of subvented institutions can no longer be supported under the present stringent financial circumstances. The Government will in due course take steps to

disengage itself from these expenditures. There are others whose functions will be reviewed with the aim of cutting their size and cost and make some of the institutions focus properly.

419. That is the sense in which the budget we have presented today should be considered as an interim budget: I will come back to the House with a more definitive statement of how much we can spend in the coming months.

420. In assessing the prospective financial position, we have already taken into account a substantial increase in external assistance based on commitments that were made principally at the Consultative Group meeting in November 1999.

421. Those commitments suggest that on the basis of the existing programmes, Ghana could plausibly budget on inflows of aid amounting to US\$350 million for fiscal year 2001. This is far higher than the average inflows of US\$220 million per annum received during the past 2 years.

422. But triggering these greatly enhanced inflows is itself dependent upon Government making precisely the sort of heroic effort to contribute towards closing the gap on the national budget by stringent measures to restrain spending such as I have proposed to the House today.

423. Even so, the prospective deficit on the budget that would still remain would amount to a stubbornly high and unsustainable level of US\$330 million this year. These facts have called for further radical action to try to plug the hole with the assistance of our development partners.

424. The overall deficit on the budget could have amounted to as much as 8.5 per cent of Ghana's GDP if we did not take these draconian measures. Every 1 per cent of GDP which we have to save out of the deficit translates into finding additional resources of ½380 billion. The signal of the government's serious intent that our development partners are looking for is that right from the beginning we should face up to this problem of the hole in the budget.

425. The new petroleum prices that were introduced on February 26, 2001 with the consent of all the people of Ghana was a first instalment in rationalising the financial situation. This budget is to be a tool for a national crusade on building a sane and sound environment for growth in which all Ghanaians are being asked to make sacrifices.

HIPC

426. We need to raise as much cash as we can, so as to be able to satisfy the aspirations of the people but always on condition that the terms are right for Ghana. Last year, the servicing of Government's external debt took as much as 9 per cent of all the economic resources available in the GDP. In addition, 5.3 per cent of Ghana's resources were spent on domestic interest payments. In cedi terms $\frac{1}{2}$ 3.9 trillion out of a total of $\frac{1}{2}$ 9.9 trillion, that is one-third of all Government expenditure, was spent on servicing debt. Under the Appropriation Bill just presented we would have to spend another $\frac{1}{2}$ 4.4 trillion this year in servicing external debt, and $\frac{1}{2}$ 2.1 trillion on domestic interest payments. Those sums represent 11.7 per cent and 5.5 per cent respectively of the economic resources that are forecast to be available in the GDP this year to meet all the public and private needs of our people.

427. In view of the debt trap in which we find ourselves, debt sustainability analysis carried out on Ghana and our inability otherwise to raise enough revenue from our own resources or attract external inflow beyond the presently committed levels, His Excellency, the President of the Republic of Ghana, has decided that Ghana should take advantage of the HIPC initiative immediately.

428. His Excellency, the President has further instructed the Minister of Finance to take all steps necessary to ensure that Ghana gets the full benefit under the HIPC initiative.

429. The measures for controlling the budget deficit which we are proposing by making our spending authorisations provisional and contingent upon revenue mobilisation should help to start bringing down domestic interest charges and the negotiations that we are conducting with our development partners should help bring down the burden of external debt servicing.

430. Mr. Speaker, the Ministry of Finance will organise a National Economic Dialogue involving all stakeholders and major players in the economy by the end of April 2001 to look at the way forward in respect of the Economic Management of the nation. The outcome of this

Dialogue would form an important input for the mid-year budget review.

431. Mr. Speaker, I beg to move.

[return to top](#)

[SECTION EIGHT: APPENDIX TABLES](#)