

GHANA

THE NATIONAL LIBERATION COUNCIL

BUDGET STATEMENT

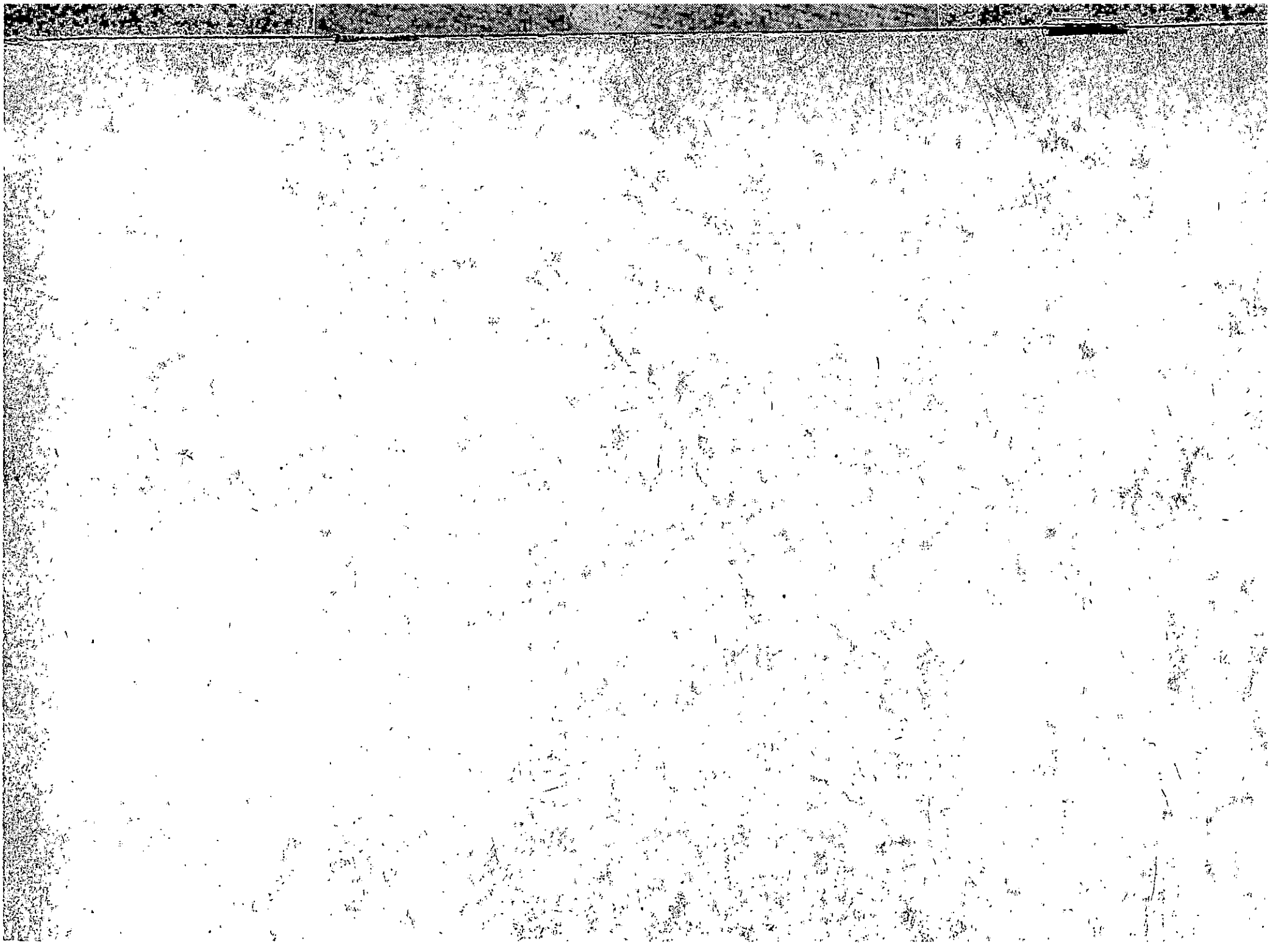
for 1966-67

by

LT.-GEN. J. A. ANKRAH
Chairman

THE CASTLE, OSU

JULY 20, 1966





Members of the National Liberation Council

THE NATIONAL LIBERATION COUNCIL

BUDGET STATEMENT FOR 1966–67

By

LT. GENERAL J. A. ANKRAH
Chairman

Fellow Citizens and Friends,

In my broadcast speech on 2nd March this year, I announced, among other things, the decision of the National Liberation Council to revert to the fiscal year 1st July to 30th June, and to introduce a new Budget in July this year.

2. In presenting the 1966–67 Budget, I would like to take this opportunity to reiterate some of the major aspects of the economic policy of the National Liberation Council.

The State of the Economy before the Revolution

3. On the eve of the revolution in February this year, our economy was in a very critical state. The reckless spending of the old regime on prestige and non-productive projects and the very fast rate of Government expenditure itself had resulted in persistently large deficits in the Government budgets. These budget deficits which were financed by unrestrained resort to borrowing from the Central Bank and by heavy dependence on short and medium-term suppliers' credits generated strong inflationary pressures at home. On the external front, the rapid rate of Government expenditure and the fall in the world market price of cocoa resulted in heavy deficits on our balance of payments. The continuous balance of payments deficits in turn, led to persistent strain on our external reserves. As a result the country's foreign exchange reserves were virtually depleted by the eve of the takeover as compared with over ₵468 million at the time of independence. Long before the reserves were depleted, the old Government had resorted to import and exchange controls. The justification was that the controls would help to husband our scarce foreign exchange resources. However, we all know that the import controls were so badly administered that instead of ensuring the smooth flow of essential commodities they only led to frequent shortages of these items.

4. Against this background of excessive Government spending financed by inflationary borrowing and the improper administration of the import licensing system, prices rose rapidly. Both the domestic and the external value of the currency began to depreciate at a fast rate.

Meanwhile many individuals who could have been employed in the production of foodstuffs and other goods and services were mobilised into the Workers Brigade, the Young Farmers League and the State Farms Corporation where their productivity was very low. Others moved into the urban areas to satisfy the high demand for construction workers on projects many of which held no immediate prospects of satisfying the material needs of the public. Consequently, the money incomes earned by all these workers were unmatched by the actual goods and services which they must purchase with the money to sustain themselves. There was also the fact that the population was increasing at a rapid rate and this combined with the other factors to aggravate the general shortage of essential commodities.

5. In the desperate attempt to reduce the widening gap in the budget Government's financial policy soon lost sight of all other considerations and became dominated simply by the need to raise revenue. The result is that taxation levels are very high and the tax structure does not offer sufficient incentives for increased investment and production.

6. In spite of the fact that we are among one of the highest taxed people on this continent, the high rate of spending by the former Government led to a rapid increase in the burden of debts on the country. The public debt rose from under ¢50 million in 1957 to ¢1,000 million at the time of the revolution. Suppliers credit debts rose so fast that the repayment has become a major problem in our balance of payments position.

7. In the industrial sector, the Government committed itself to a stream of ill-conceived projects and at such a rate as to stretch thin the management and financial resources available to the Government. Private enterprise was discouraged. Capable Ghanaians were denied the opportunity of expanding their business enterprises and using their managerial talents to the full. Lip-service was paid to foreign private capital. But the general political atmosphere and the attitude of the press pointed to the contrary. In spite of all our assurances and the Capital Investments Act, foreign investors lost confidence in the country.

8. The huge investments of the past have not yielded adequate returns owing partly to economic mismanagement and corruption. The rate of economic growth has been disappointing in recent years. Preliminary figures in the *Economic Survey* soon to be published indicate that in real terms the economy barely expanded at all in 1965.

9. As a result of all these developments, the foreign exchange situation became extremely critical by the beginning of the year. Remittances of business profits and individual savings had been virtually stopped. Large sums were owing to foreign exporters in respect of goods shipped to this country even on credit terms. Consequently foreign suppliers were refusing to ship goods to Ghana. Confidence in our economy was badly shaken. In effect, the country was on the verge of economic collapse.

10. I am sure we are all aware of some of these facts. But it is necessary to re-state the position for two reasons. Firstly, we need to remind ourselves constantly of our situation a few months back lest we forget the

economic chaos from which the Armed Forces and the Police rescued this country. The economic situation which we inherited was so bad that it will be unrealistic to expect an easy or radical improvement within a short period. Secondly, we must refresh our memories about these problems in order to set our future policy properly against the errors of the past regime.

Objects of the Budget

11. The Budget which is being introduced today marks the beginning of the stabilisation programme promised by the National Liberation Council. This programme aims at the rehabilitation of the economy and the preparation of the ground for a sound economic policy leading to a resumption of a satisfactory rate of economic growth.

The basis of our welfare state

12. The National Liberation Council announced at a very early stage its commitment to the ideal of a welfare state. This is not a mere ideological concept. It is a policy which implies that the National Liberation Council will seek in all its actions to improve the material well-being of every Ghanaian. We will manage the economy in such a way that the opportunities for honest and gainful employment are steadily expanded. We will also ensure that this employment yields increasingly higher returns to the worker and his family. And we will promote such a rate of economic growth that the Government itself can extract enough resources to modernise progressively the services which it provides to the worker and his family.

13. It is obvious that only a partnership between the Government and private individuals and businesses in the country can create the resources with which a welfare state can be built. There is no country in which all workers are public officers. And there is no country in which the Government leaves it completely to private interests to carry out the task of economic development. It is only a failure of elementary commonsense which sometimes led the previous Government to imagine that they could develop Ghana by turning it into one vast public service machine. It is this kind of ideology which the revolution was intended to cure. In its place we are trying to institute a system of genuine partnership between Government and private interests. Government must share with the private sector the task of increasing production and employment under a rational division of responsibilities. After the wealth has been produced, the Government and the individual must share in its use on a reasonable and mutually satisfactory basis. It is not reasonable for instance that in the use of the available foreign exchange absolute priority should be given, as it was in the past, to the buying of ever more and more machinery for Government factories and State farms to the exclusion of the basic necessities which we must import to sustain the standard of living of the individual Ghanaian, and sometimes even to the exclusion of the raw materials, spare parts and fuel which were needed in order to put to use the machinery that had already been purchased.

14. In the field of investment, the major implication of the programme of stabilisation which we have adopted for the coming two years

is that the overall level of Government expenditure has run too far ahead of the growth of the economy. There must therefore be a pause for consolidation. During this pause the projects which have been started in such large numbers that their successful completion had over-taxed the resources of the country must be completed and supplemented as may be necessary to put them to profitable use. At the same time a rearrangement of the pattern of government investment must be carried out. For instance in agriculture, the mad rush to buy more and more tractors which are at present only utilised up to about one-tenth of their capacity should be replaced by a new policy in which agricultural investment is now concentrated on things like feeder roads, irrigation works and properly planned storage facilities.

Balancing the Government Accounts

15. As I mentioned in the policy statement of the 2nd of March this year, the new Budget will reflect the Council's economic policy. In that statement I said that in order to restore balance to the Budget emphasis will be placed on the reduction of Government expenditure rather than on increased taxation.

16. The first and foremost task of this Budget therefore is to make a start towards achieving a balance in Government accounts. In order to correct the serious imbalance in the Government budget and to arrest the rise in prices and the fall in the value of our currency, the National Liberation Council has agreed to an overall reduction in the size of the 1966/67 Budget. The aim has been to limit expenditure to a level that can be met out of ordinary revenue and from other non-inflationary sources. As against actual expenditure of ¢467.6 million in the fiscal year 1965, therefore, the National Liberation Council has agreed to a total expenditure of ¢401.2 million for 1966/67. Estimated Recurrent expenditure which stands at ¢251.6 million falls below the actual expenditure for 1965 while Development plan expenditure has been pruned down from ¢211.3 million in 1965 to under ¢150 million.

17. This reduction has been made mostly by eliminating wasteful prestige expenditures and other projects of doubtful economic viability. Work on some other projects is expected to be slowed down while a proper reassessment is carried out. The saving of over ¢60 million arising from the reduction in Government expenditure is expected to lead to a considerable reduction in prices during the fiscal year 1966/67. This reduction in prices and the strengthening of the value of the Cedi is one of the policies to which the National Liberation Council is firmly committed.

Financial Discipline

18. One essential element of the present Budget is that Heads of Ministries, Departments and Institutions had the full opportunity of participating in the discussion of their estimates. They were made fully aware of the state of the economy and of our requirements and it is expected that they will co-operate fully in the implementation of the Budget expenditure proposals. The National Liberation Council itself

has had the opportunity to discuss the estimates under every head of expenditure and to consider their policy implications. Thus, not only the National Liberation Council but the Treasury as well as the operative Departments are in agreement on the size and the policy implications of the Budget.

19. We cannot, and we will not, allow these Estimates to be exceeded during the course of the year. As an added safeguard the National Liberation Council expects to pass a Financial Administration Law soon after the Budget. This law will provide for a more effective control of public expenditure. In particular, the law will hold every Head of Department personally responsible for spending within the limits of his estimates. Any Head of Department who exceeds his vote without appropriate authority will be surcharged with such excess, wherever appropriate.

Redeployment of Resources

20. The policy of reduced Government expenditure will liberate substantial resources which should be employed profitably by the private sector. The Government's call on the resources of the banking system is being held in check. The absorption of domestic savings into the financing of ever increasing budget deficits is being sharply curtailed. These two measures will release a substantial volume of savings and credit which the financial institutions must deploy into the private sector so as to yield maximum benefits.

21. One of the major problems which a reduction in Government expenditure of this size will bring will be retrenchment. In recent years the Government has absorbed a large proportion of the available labour force. While cocoa farmers and other people in agriculture, forestry and mining have found it increasingly difficult to recruit labour, Government has maintained a vast number of idle, but potentially useful, workers who were paid with money which we could ill afford. It is not fair to those who work for their wages that other people should also be paid the same wages for doing nothing. It is bad for these idle workers themselves that they should live a life of well-paid idleness. Therefore, within the Government machine itself, in the public corporations and in organisations such as the Workers Brigade, we have started a process of systematically laying-off those workers who are not contributing anything to production. It is not the intention that these workers who were previously being paid for doing nothing should continue to do nothing, the only difference this time being that Government will not pay them. On the contrary, the labour that is released from the Government sector should, as rapidly as possible, find its way into gainful occupations within the private sector. We expect agriculture in particular to provide a satisfactory new living for considerable numbers of these workers. Many of them are capable of setting up on their own in a relatively short period of time as farmers, making a worthwhile contribution towards the solution of our desperate problem of food shortage. The Budget contains special provisions by which the Government will be able to assist all those who are willing to bring under cultivation more of the land which Ghana still has in abundance. After the present crop has been harvested, a number of state farms will be turned over for private cultivation. The

Budget also makes provision for helping those workers who would like to share in the cultivation of the acreages which have already been cleared on these State farms. We appeal to those well-established farmers who have land and existing plantations of cocoa and especially of foodcrops to give employment to as many labourers as are willing to work honestly for a reasonable wage.

22. The retrenchment will however involve pockets of temporary unemployment while workers find alternative avenues of employment. We are fully aware of the hardships which these changes will bring to some workers and the National Liberation Council has made appropriate provisions in the Budget for a number of labour-intensive projects to relieve these temporary hardships of unemployment. The establishment of an office for the re-location of labour has alrady been announced, and all agencies are required to notify the Special Commissioner before they lay off any labour so that appropriate measures may be taken.

Co-operation between the Government and the private sector

23. We expect that, with the progressive easing of conditions under this and subsequent Budgets, individual Ghanaians who are capable of doing so, would take over a greater share of the job of providing housing in the urban areas. Many more privately owned houses are needed to accommodate the working people, and their construction should itself also provide increasing opportunities for employment to these same working people. As a particular token of this, Government has decided that the provision of housing in the new city of Tema should be the joint responsibility of the public and the private sectors with the latter taking an increasingly greater share. Land will be made available with the necessary services laid on for individuals and enterprises which are willing to invest in housing for the growing labour force of Tema. It is the intention of the National Liberation Council to give every assistance to public servants to build their own houses and to move into them. This will release Government funds for more productive investment.

24. The slow down in Government activities should also release a greater proportion of the available foreign exchange for the use of the private sector. We have put ourselves in a position where we will be able to allocate increasing amounts of foreign exchange for the purchase of machinery for the private sector and of raw materials and spare parts to keep them in operation. In addition, of course, we have already taken measures to ensure that there will no longer be any more of these difficulties in the importation of basic consumer goods from which the people of Ghana suffered so much for the last four years.

[illegible] important part of our policy for the economic development [illegible] National Liberation Council intends that the primary [illegible] in developing certain sectors of the economy [illegible] private sector. In particular, agriculture, commerce [illegible] activities in which the principal responsibility for [illegible] will be assigned to private initiative. Every [illegible] Ghanaians to participate increasingly in

26. Government will of course have to support the private sector if it is to carry out successfully this responsibility. In particular, our farmers will be given the level of supporting services by way of marketing, feeder roads, water conservation and irrigation, extension advice and agricultural credit which is necessary in order to secure a rapid increase in the production of food and other crops. Government also has a duty to protect the interest of the general public as consumers of the goods which are produced in these sectors. This responsibility will be exercised firmly but in such a way as not to inhibit the overall development of the economy.

27. Equally, there can be no ambiguity about the assignment of the prime responsibility to the Government in the provision of certain basic services such as water and electricity, roads, railways and harbours. The welfare state also implies that the Government will accept the responsibility to provide eventually all citizens and always in a satisfactory quality with those services like education and health which contribute so much to the real standard of living of the worker and his family.

28. There are certain fields in which the responsibilities of the Government and the private sectors must overlap or complement each other. The public and the private sectors will remain in healthy competition in the field of road transport. Already Government is responsible for railway and air services and for the harbours. Road transport is primarily provided by the private sector and both this budget and the foreign exchange plan for the coming year will make it increasingly possible for the private sector to operate road transport services. But the Government also has an interest in the transportation of goods and people by road which we intend to maintain. The urban bus services will be strengthened to guarantee quick and cheap transport for the worker and his family. Government must also maintain its ability to provide a modern long distance trucking service for bulk haulage. This system can also be used to relieve quickly those bottlenecks and localised shortages, especially of food and consumer goods, which are liable to arise from time to time in different parts of the country. In general Government must also retain a residual responsibility for seeing to it that the distribution and marketing of essential commodities is assured in all parts of the country and to this end will take any action that is needed to supplement the shortcomings of the privately-owned retail trade.

29. In the field of industry, the relations between Government and private initiative are more complex. It will clarify thinking all round on this question if we bear in mind the common purposes which industrial development, whether through Government or private initiative, is designed to achieve. First, Ghana needs a rapidly expanding industrial sector in order to provide employment for an increasingly urbanised working population. Secondly, industry and its related activities which are able to pay a higher level of wages than the traditional rural sector must contribute an increasing proportion of total employment in the country so that we can acheive a rising average level of income, and therefore of living, per family. This growing wealth is what the welfare state will be built on. Thirdly, industry must produce for Ghana more of the commodities that are required to meet the needs of individuals, business enter-

prises and government. Industry must also earn increasing amounts of foreign exchange with which to buy the goods which we will continue to import from other countries.

30. As many industrial enterprises, therefore, as can be established to serve the existing market, to utilise our natural resources, to give employment to people and to help with our balance of payments problem must be encouraged to start. At the present time it is obvious that Government has already set up more industrial enterprises than it can economically manage profitably with the manpower resources at its disposal. In the coming two years our concentration in the field of public industry will therefore be to complete the projects already started, to assure competent management to run the existing enterprises and to lay the ground work through careful project preparation for the industrial development of the country in the future.

31. We have already offered for sale those public industrial concerns which, in our view, can be more efficiently and profitably managed by private enterprise; but Government is by no means withdrawing from the field of industrial development. Most of those enterprises which have now been retained in the Government's portfolio will remain there until in the process of review it is established that any of them should be transferred to the private sector. The National Investment Bank in which the Government has a substantial investment at present has funds for which it will continue to seek profitable investment opportunities.

32. The system of partnership between public and private capital has already been tried out very successfully in a number of joint industrial enterprises. This system characterises in large part the policies of the National Investment Bank, and its application is also being further widened by the invitation which we have issued to private interests to take a share in a number of industrial enterprises already established by the Government. The Budget makes provision for more financial resources to be put at the disposal of the National Investment Bank. In addition Government has also invited a number of international financial institutions to contribute to the resources of the National Investment Bank. Should any profitable opportunities also arise for direct Government investment in an industrial project, especially in the field of basic industry, we will hold ourselves open to consider them. The ability of the Ministry of Industries to conduct valid feasibility studies of industrial opportunities in Ghana will be further strengthened and the prospects which are thereby uncovered will be submitted for implementation by any sources of capital which may be interested, whether government or private.

33. It is obvious however that with the level of existing commitments by the Government in the field of industry and the budgetary difficulties under which we are now operating, Government cannot prudently undertake any large number of new industrial projects during the stabilisation period. The expansion of industrial capacity and production during this period must therefore become primarily the responsibility of the private sector. This is a special challenge to Ghanaian business initiative. We need particularly new private industrial establishments

which will either save us substantial amounts of foreign exchange or contribute to our export earnings. Private investors should concentrate especially on those projects which make use of Ghana's own raw materials or which produce goods for local consumption with the smallest amount of imported raw materials.

Opportunities for private investment

34. Ghana offers a number of advantages to private interests which invest in industry. In spite of all our recent difficulties we continue to offer the most concentrated markets to be found anywhere on the continent of Africa. We have already taken steps to normalise our relations with our neighbours in such a way as to make possible increasing levels of trade. We are in the process of systematizing the efforts at economic co-operation among the West African countries, and investors will find that for many products Ghana offers a superior vantage point from which to supply other African countries. Especially in the availability of a skilled labour force and of basic public services for industry such as transport, water and electricity, Ghana offers excellent facilities.

35. Our Laws continue to carry provisions which guarantee the safety of private investment. We have recently decided to accede to the World Bank's new Convention for the Settlement of Investment Disputes. The Capital Investments Act, whose provisions have always been very generous by any standards but whose effectiveness was also undermined by a lack of confidence still remains on the statute book. The machinery for implementing it has already been streamlined and will be further strengthened in order to make the process of investment in Ghana as convenient and expeditious as it can be. The specific concessions which are available under the Capital Investments Act are meant to be given to all investment projects which by their contribution to the national income, to employment and to the foreign exchange position deserve such concessions.

36. I hope I have been able to convey to you in all this the clear understanding that our economic policy is based on a constructive partnership between the public and the private sectors which is designed to promote the fastest possible rate of economic development so that the standards of wealth and welfare of the people can be rapidly improved. We have rejected any hard and fast ideas about the sphere of the public or the private sector based merely on ideological or simple theoretical considerations. We shall endeavour to ensure that case by case the opportunities for profitable investment that arise will be promoted to actual implementation. On the basis of pragmatic considerations, we shall decide whether it is necessary for Government resources to be employed in the realisation of these possibilities. Wherever it is possible and expedient, individuals and companies with the capital to invest will be given the chance to participate in the exploitation of these opportunities. In general, Government and private initiative must work together in a constructive partnership. For those who decide to invest in Ghana, Government will offer fair treatment according to the laws and the facts of our economic situation. In exchange we will expect a fair return to the country, to the owners of the natural resources and to the workers who help in producing the wealth.

37. As a measure of immediate tax reform, the National Liberation Council has decided that with effect from today withholding tax will be collected by the Commissioner of Income Tax only at the point of transfer of profits. This will remove the present anomaly whereby withholding tax is paid on profits which in fact may not be transferred owing to foreign exchange difficulties. We appreciate that foreign investors will be hesitant about investing in Ghana as long as there are no assured prospects for the transfer of dividends and profits. In the past the foreign exchange position has not permitted the free transfer of these funds. We intend during the stabilisation period to keep the situation constantly under review. Meanwhile investors are urged to find profitable avenues for the investment of funds which have accumulated over the past few years owing to lack of foreign exchange.

Foreign Trade and External Payments position

38. Another major task to which the country will address itself during the year will be to bring order into our external payments position. With regard to payment for imports, the Bank of Ghana has already announced that commitments entered into on and after 1st June 1966 will be honoured on due dates. Suitable arrangements for the payment of the backlog of commitments entered into or due up to the 30th May in respect of current payments will be announced shortly. It is expected that with the reduction in Government expenditure which has been the main source of the strain on the external resources and given a continued improvement in the world market price of cocoa, the Bank will be able to honour commitments on current account promptly and in accordance with the *Gazette* Notice issued.

39. The National Liberation Council has just announced a new rationalised system of import licensing. It is the intention that the system will be kept under constant review. There are, for instance, certain essential commodities which we must import into this country no matter the state of our balance of payments. There is no reason why these items should not be placed on Open General Licence. This will be actively considered during the review period and implemented as soon as the situation permits.

40. Meanwhile, for as long as the import controls remain, the licensing authorities will have to give priority to these items as well as to industrial raw materials and spare parts. But given these factors, the Chamber of Commerce, the Manufacturers Association and the business community generally are expected to show their goodwill and co-operation by exercising voluntary restraint on over-stocking and indenting of non-essentials even though they may be hot-selling lines. With the improvement which we expect in the current payments position in the near future we hope our suppliers will shift from their present position of shipments only against letters of credit, to shipment on collection basis. We certainly expect our local importers and manufacturers to arrange their future supplies on this basis.

41. Our foreign trade policy will continue to be non-aligned. It will be conducted strictly on business lines. Trade will be based on competitive prices and quality, prompt delivery dates and the proper

documentation of items. All existing bilateral trade agreements will be respected but we intend to review them in order to ensure that they operate in the best interest of our economy.

Local Food Supplies

42. The shortages of local foodstuffs which I have already referred to can only be removed if we succeed in implementing a sound agricultural policy. The National Liberation Council would like to divert more resources into the agricultural industry. But this will be done only if there are worthwhile agricultural projects and programmes. We rely on the Agricultural Committee as well as our experts in the Ministry of Agriculture and the Research organisations to help us formulate and implement realistic policies which will lead to rapid increases in the supply of food and other types of agricultural produce.

Cocoa

43. With regard to cocoa a rational purchasing system will be evolved on the basis of the report and recommendations of the Committee which is inquiring into this matter. Meanwhile we wish to appeal to all farmers to exercise restraint. The National Liberation Council cannot take the risk of making ill-considered changes in the purchasing system which could in the long-run damage the whole cocoa economy. Cocoa farmers have every right to expect improvement in the producer price. Unfortunately given the present uncertainties in the world market price and especially in view of the breakdown of the recent conference on the stabilization of cocoa prices, it is not considered wise to change the producer price at this stage. The situation is being kept under review and as soon as conditions permit the necessary adjustments will be made.

Details of the Budget

44. I will now turn to the details of the budget. The Annual Estimates provide for a total expenditure of ¢401.2 million to be drawn from the Consolidated Fund. In addition the Ghana Railway and Ports Administration has budgeted for an expenditure of ¢38.8 million. In the case of the latter the expenditure will be met out of the funds and accounts of the Railway and Ports Administration which will benefit by an estimated surplus of ¢5.4 million during the year. The taxpayer will therefore not be called upon to contribute towards the operations of the Railway and Ports Administration. I will therefore confine myself in this statement to the estimates of expenditure which will be met out of the Consolidated Fund.

45. Against an estimated total expenditure of ¢401.2 million current revenue is estimated at ¢300.5 million. In addition it is expected that there will be capital receipts totalling ¢56.0 million. Total financial resources that will be available to finance government expenditure during the year are therefore estimated at ¢356.5 million. Thus it is estimated that there will be an overall deficit of ¢44.7 million.

46. The question now arises as to how this deficit will be financed. The expenditure estimates include provision for the payment of Government's obligations under suppliers' credits that fall due for payment

during the financial year. As a result of meetings held recently in London with our creditor countries we have declared a temporary moratorium on the payments of these debts up to September next when we hope to negotiate a satisfactory stretch-out and refinancing of these debts. To the extent that the negotiations are successful and the repayments of existing suppliers' credits that fall due this year are phased out for repayment beyond the current financial year the relief so afforded will reduce the estimated expenditure and assist in covering the deficit.

Tax proposals

47. The estimated current revenue of ₵300.5 million takes into account some adjustments in the existing tax rates and I will now proceed to mention the main ones.

Customs Duties

48. In line with the policy of the National Liberation Council to reduce the tax burden on the majority of our people and in order to reactivate the economy it has been decided to reduce customs duty on some essential items:

(i) Customs duty on motor spirits has been reduced from 42 pesewas to 39 pesewas per gallon. Retail prices on all grades of motor spirits will therefore go down by 3 pesewas per gallon all over the country.

(ii) Duty on kerosene has been reduced from 18 pesewas to 12 pesewas per gallon. This will result in a reduction of 1 pesewa in the price of a bottle of kerosene to the consumer.

(iii) Duty on diesel oil has also been reduced by 1 pesewa per gallon from 18 pesewas to 17 pesewas per gallon.

(iv) Customs duties on fish and fish preparations and meat and meat preparations have been reduced from 6 pesewas to 5 pesewas per lb.

(v) Garri which has hitherto been subjected to duty at the rate of 50 per cent *ad valorem* will now be exempt from duty. Other West African foodstuffs will also come in free of duty.

49. These reductions in duty which come into effect immediately are in addition to the reductions announced in my statement to the Nation on 2nd March. It will be recalled that on that occasion I announced cuts in import duties on edible oils, matches, salt and sugar. I also announced a reduction of 6½% in sales tax on sugar, rice, salt and flour. I am happy to inform you that as a result of the substantial inflow of flour from the United States of America and Canada the controlled price of flour has now been reduced by about ₵1.00 per bag of 50 lb.

50. The reductions in duty will result in a revenue loss of ₵1.9 million. In order to reduce this loss it has been decided to raise the duty on imported cars from 25% to 30% *ad valorem*. We wish to point out that this change does not affect commercial vehicles other than taxis. The National Liberation Council expects that the reduction in the cost of fuel should go a long way in reducing transport costs throughout the country.

Sales Tax

51. In future corn as well as other unmilled grains will be exempted from Sales Tax. Packing materials will also not attract Sales Tax.

52. Hitherto any importer who wanted to re-export goods previously imported by him had to pay export duty at the rate of 50% *ad valorem*. It has been found that this has been a nuisance and it has therefore been decided to abolish this duty altogether.

53. Details of all these tax changes are contained in the relevant Decrees which have been published today.

Income Tax

54. I now turn to income tax. Since 1953 there have been so many amendments to the Income Tax Ordinance that it has not been easy to locate the law and to work with the Ordinance in its present form. A Consolidated Income Tax law has therefore been prepared and will be published shortly. This new law gives effect to the National Liberation Council's decision to raise the exemption limit of taxable income from ¢432.00 to ¢480.00. It also gives effect to the Council's decision to abolish the old regime's rent tax as well as income tax paid by cocoa farmers on their income from the proceeds of the sale of cocoa.

55. Unfortunately within the short time at our disposal it has not been possible to review the entire income tax structure in the country. As I have already stated the tax policies of the old regime were based on the sheer desire to collect revenue. The National Liberation Council holds the view that taxation policy should be such as to encourage local production and economic activity and to reduce costs. In this way increased revenue should accrue from a high turnover of locally produced goods and services rather than from high tax rates on a small turnover. For this reason it is proposed to review the whole tax system during the current financial year. The purpose of this review will be to remove any bottlenecks in the tax system which may be having an adverse effect on local production and foreign investments in Ghana and with this aim in view to eliminate any contradictions in the current tax system. The review will also make it possible to spread the tax net more widely to cover every able bodied person who is gainfully employed and who is eligible to pay tax. In this connection the National Liberation Council has requested and the International Monetary Fund has already agreed to offer the services of a tax expert to assist in this task.

Posts and Telecommunications Charges

56. It has also been decided to make certain changes in the charges made by the Department of Posts and Telecommunications to bring them more in line with those levied in other countries. Postage on ordinary inland mail has been reduced from 6 pesewas to 5 pesewas, but that on air letter cards has been increased from 6 pesewas to 10 pesewas. In addition slight increases have been made in the rental paid by those who have letter boxes allocated to them.

57. Hitherto telephones have been installed in private premises free of charge, the subscriber only paying a small rental yearly in addition to charges for effective calls made. The National Liberation Council considers that this is unreasonable and has therefore decided that, as a first step, a flat charge of ¢25.00 should be levied in respect of new installations. This is in line with the policy adopted in the case of both electricity and water supplies where the owner of the premises pays for the full cost of the connection. It has also been decided to effect slight increases in the charges made for other services provided by the Department of Posts and Telecommunications.

58. Details of these changes have been given in one of the Decrees which have been published today.

Miscellaneous Charges

59. Fellow citizens and friends, the idea of the free text-books scheme introduced in our schools a few years ago is a good one but unfortunately as with many other policies initiated by the old government, it was premature and incompetently implemented. We are all aware of the effects of the scheme. We know that these books never got to our children in time. We also know that under the scheme our children were not allowed to carry text-books home and this led to a worsening of the already deteriorating educational standards of our children. For these reasons the National Liberation Council has decided that the free text-books scheme should be modified and made more efficient. With effect from the next academic year therefore the Government will supply to all school pupils basic text-books as well as exercise books and other materials. These will become the property of the children and may therefore be taken home. It has however been decided that parents should make a modest contribution to the cost of these books and materials as follows:—

¢2.00 per annum in respect of a child in primary school.

¢5.00 per annum in respect of a child in middle school.

¢12.00 per annum in respect of a child in secondary school.

60. A number of private schools were taken over by the Government at the beginning of the current academic year. The case of these schools has been reviewed and the National Liberation Council has decided that these schools should be retained in the public system. In future, however, the Ministry of Education will not take over any private school until the owners have been consulted and the full implications considered.

61. The Animal Health Division of the Ministry of Agriculture vaccinates birds at the request of poultry owners. This service has hitherto been free. It is the view of the National Liberation Council that at least part of the cost of the vaccine should be recovered. It has accordingly been decided that a small charge should be made on all birds vaccinated at the request of the poultry owner. To give incentive to housewives to keep backyard poultry, however, it has been decided that no charge should be levied on the first 25 birds vaccinated. A small charge will also be levied for the treatment of cattle against trypanosomiasis.

62. Last year a television service was inaugurated. In order to reduce the cost of this service to Government and to provide for improved programmes, it has been decided to impose a licence fee of ₵12.00 per annum per television set. The National Liberation Council has also decided to introduce a commercial television service. This will be controlled in such a way as not to impair the enjoyment of television programmes. In addition to this the Ghana Broadcasting Corporation has been asked to investigate the possibility of introducing a second channel for sound broadcasting which will be devoted to light music, news and commercials as a means of raising revenue to meet part of the cost of radio and television broadcasting.

63. The National Liberation Council has taken a number of measures to reduce Government expenditures, for, as I have already said, the difficulties which we inherited from the old regime arose mainly from uncontrolled Government expenditure. Our delegations to international conferences have hitherto been too large including in many cases people who obviously cannot make any contribution to the deliberations. It has therefore been decided to keep our delegations to the minimum consistent with efficiency. It has also been decided that as from today persons travelling outside the country and whose expenses will be met from public funds should travel by economy class.

Social Security Scheme

64. Since the revolution the National Liberation Council has received petitions from various groups of workers for the abolition of the Social Security Scheme. The Council has given considerable thought to these petitions but is of the view that the scheme is a good one and it therefore intends to keep it. In view, however, of the high cost of living in the country at the moment and in line with the Council's policy of relieving hardships wherever possible, it has been decided to reduce contributions to the scheme by a total of 5% that is, 2½% in the case of the employer and 2½% in the case of the employee. Thus the employee's contribution to the scheme will be reduced to 5% of his annual income and the employer's to 12½%. It has also been decided to leave both employees and employers free to pay the whole or part of the 5% reduction into any private schemes operated by them if they so desire, by mutual consent. It is hoped that from these private schemes it will be possible for employers to make temporary advances to workers wherever possible.

65. For purposes of benefits under the scheme it has been decided to reduce the voluntary retiring age from 55 to 50 and the compulsory retiring age from 60 to 55 in the case of all employees other than those engaged in the Mines. In the case of employees engaged by Mining Companies the voluntary retiring age has been reduced from 50 to 45 and the compulsory retiring age from 55 to 50 provided that they would have served in the mines for a period of not less than ten years. These changes will come into force with effect from 1st August, 1966.

Conclusion

66. Fellow citizens and friends, the Budget proposals which I have outlined to you are designed to help us solve in the long-run our basic economic problems. For the first time in many years, it has been possible to introduce a Budget which gives tax reliefs to the population. This has been possible because of reductions which have been effected in Government expenditure. In order to reap full benefits from this Budget, we shall have to increase productivity in all sectors of the economy, particularly in agriculture and industry. Without increased productivity, all our efforts at economic rehabilitation will come to nought. We must demonstrate to the outside world our willingness and determination to make whatever sacrifices are considered to be in the best interest of our dear nation. It is only after this that we can reasonably hope for assistance from friendly countries. The National Liberation Council appeals to all of you in whatever position you are to gird your loins and answer the noble call to salvage our economy.

THE CASTLE, OSU.
July 20, 1966.