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BUDGET STATEMENT

FOR

1970-71

BY

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ACCRA, GHANA

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BUDGET STATEMENT FOR 1970–71

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THE RT. HON. DR. K. A. BUSIA
Prime Minister of Ghana

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CHAPTER I

THE STATE OF THE ECONOMY AND FOREIGN TRADE

During the first two years of the National Liberation Council in office its economic policy was primarily concerned with consolidation. This consisted of restoring a greater degree of balance between resources and expenditure by adjusting the latter to lower levels. Consequently, the policy of consolidation resulted in a massive retrenchment of government expenditure and of labour employment. By mid-1967 the National Liberation Council felt able to introduce a Two-Year Development Plan. This Plan was designed to achieve a modest rate of economic growth and, even more important, to lay the basis for more rapid growth in later years. The 1969–70 financial year was used to finish off uncompleted business under the Two-Year Plan.

2. It is gratifying to be able to report that by the end of 1969 most of the targets of the Two-Year Plan had been achieved. Gross Domestic Product (G.D.P.) had increased by 9.5 per cent in the two years, almost on target. In spite of the exceptional rains of 1968, the agricultural sector attained its plan target, while forestry exceeded its target by two and a half times. Fishing grew by 50 per cent more than had been planned. And substantial contributions from the manufacturing and timber sectors in line with plan targets all helped to make possible the attainment of the overall growth objective. The excessive rains, as could be expected, held back construction, a trend to which the continued restriction of Government expenditure and of private credit also contributed. The other shortfall in plan implementation was in the cocoa sector where between 1967 and 1969 there was a tendency towards a reduction in output. On the other hand, this reduction in the physical output of cocoa contributed to the more favourable trends in world market prices that characterised the second half of 1969.

3. It is worth special mention that by 1969 the rate of growth of the economy had accelerated to a level of 4.1 per cent as compared to 2.5 per cent in 1968. Even in terms of real output—that is, ignoring the effects of increases in prices—Gross National Product in 1969 grew by 3.4 per cent, as compared to the statistically insignificant increase of 0.4 per cent that had been recorded in 1968. (*See* Table 1.)

4. This incipient change from economic stagnation towards resumed growth has been reflected in the turn-around, for the first time in many years, of the unfavourable trends in employment in the modern sector of the economy. By the end of 1969 there were nearly 45,000 more persons holding jobs in this sector than there had been at the end of 1967. For the first time we had passed again the previous record level of employment in registered establishments which had been attained as far back as 1965.

5. Admittedly, this increase in employment is as yet a small beginning when seen in perspective. Ghana's labour force had increased during this same period by some 225,000 persons so that, in spite of the increase in recorded employment, the absolute numbers of Ghanaians who have no steady jobs had continued to mount. It is well known that a very large percentage of these unemployed persons has consisted of young persons on whose schooling the nation has spent a lot of money in our free elementary education system. It is also known that the existing disparities in the level of social amenities and in wage rates as between the rural and urban areas of the country have served to exert pressure for a drift of population from the villages into the towns. Consequently, the increase in the unemployed population has tended to be very rapid in urban areas, with many undesirable social repercussions.

6. Another significant development in 1969 was that investment in the Ghana economy had begun to pick up after many years of stagnation or even decline. This was partly due to the recovery of Government's own investment expenditures from the low levels to which they had had to be reduced during the period of consolidation. In the past financial year, expenditures which are classified as Government development expenditures were 50 per cent higher than in the previous financial year. Owing to the increasingly more favourable cash position of Government, the rate of disbursement on development expenditure was still accelerating by the end of the 1969–70 financial year. It is implicit in the budgetary proposals which I am now presenting that this progressive trend will be maintained during the 1970–71 financial year.

7. Private investment in building construction has also begun to recover. Some of the policy measures which I will announce today are designed to ensure that during this financial year private investment in the fields of industry and transport will further increase.

8. The other favourable development in the past year which improves our economic prospects in the immediate future is the change that has occurred in the Government's finances. After many years of budgetary deficits, dwindling foreign exchange reserves and increasing indebtedness of Government, the Government has been able during the past financial year to accumulate a modest amount of reserves while at the same time increasing its development expenditures. We have been able to take advantage of the temporarily favourable situation in the cocoa market to build up these reserves which will cushion the development programme in future years from the disruptive effects of random or seasonal changes in the cash position of the Government.

9. It is my firm intention that the opportunities presented by this easing of Government's current cash position should be used for a purposive intervention by Government in favour of the further acceleration of economic growth through the stimulation of certain sectors which are of particular social and economic significance. In this endeavour, Government will expect the fullest co-operation of the banking community and the private investing public. You will thus notice that in addition to the substantially higher rate of development expenditures which are budgeted

for in the estimates now before Parliament there is a programme for investments below the line totalling some N₵22 million. This programme is to be carried out by a combination of budgetary and banking or private capital. I am glad to be able to report that the financial institutions have already indicated their willingness to participate in consortia for this purpose.

External Trade

10. The imbalance in our transactions with the rest of the world has continued to be the weak point in this emerging picture of hopeful trends and expanding opportunities. The increase in the level of economic activity that was recorded in 1969 was achieved at the expense of a further deterioration in our balance of payments position. The overall deficit on our external transactions rose from N₵51.5 million in 1968 to N₵60.4 million in 1969. The temporarily favourable development on the cocoa market enabled us to earn an average price of N₵721 per ton in 1969 as against N₵562 per ton in 1968, and total exports increased by N₵56 million at current prices. But imports had to increase even more rapidly, especially imports of raw materials to feed the growth of industrial production which was recorded. This is because Ghanaian industries continue to be so heavily dependent upon imported raw materials and other inputs of production.

11. Consequently after a half season of favourable cocoa prices the country's external reserves, which stood at N₵22 million at the end of 1968 had been reduced to N₵19 million by the end of 1969. In comparison with the country's annual volume of imports, and especially considering the possible range of fluctuations in cocoa earnings that could occur between one year and the next, this level of reserves is inadequate for flexible and really efficient foreign exchange management. Arrears in payments have reappeared from time to time and the flow of business has been intermittently disrupted. Thus far in 1970 the balance on Ghana's visible trade with the rest of the world has shown a more healthy trend. Imports went up by N₵50 million in the first six months of the year, but exports went up even more, by N₵61 million, so that the balance of trade improved by N₵11 million.

12. The other weak link in the economic chain which could cause us much trouble in the future relates to the trends in prices. In 1969 inflationary tendencies were still prominent. In particular, the weak food supply situation resulting from the excessive rains of 1968 led to an increase of 15.8 points in the consumer price index of locally produced items of food. Combined with a further steep rise in the consumer price index for textiles this resulted in an increase of 3.2 per cent in the consumer price index.

13. Our policy of promoting further and more rapid economic expansion this year puts us at the risk of a further aggravation of these inflationary tendencies. Measures are therefore included in the present budget to hold down some of the sources of inflationary pressures.

The Annual Plan for 1970–71

14. In drawing up the budgetary programme for 1970–71 and the policies required to give effect to our objectives we have found it useful to prepare an Annual Plan for the year which will shortly be published together with the Economic Survey for 1969. This Annual Plan will form the first instalment of the new National Development Plan covering a period of five years which will be prepared during the present financial year. The objectives that will determine the shape and the content of the National Development Plan, and the bottlenecks and difficulties which the Plan must be fashioned to overcome, are quite familiar to you in their general nature. We want to reach higher levels of overall economic expansion, in particular levels which substantially exceed the rate of population growth, so as to permit for an appreciable improvement in the standards of living and the private consumption of individual Ghanaian families while at the same time enabling us to sustain an even greater increase in our investments for the future. The 1970–71 Annual Plan aims for an overall growth rate of between 3½ and 5 per cent, depending upon the weather conditions which will determine the level of agricultural output.

15. It is possible to increase still further the rate of utilisation of existing productive capacity in spite of the improvements that have taken place in the last two years. The policies which will be introduced in this budget and the other measures which will be taken for the implementation of the Annual Plan are designed to this end. If they are successful then industrial production should increase by a further 10 to 15 per cent in the coming year. We cannot afford to absorb all of this increase in industrial output domestically in view of the high import content of Ghanaian industrial production which I have mentioned before. Consesequently, the Plan aims for a significant increase in the exports of industrial products especially to neighbouring African countries.

16. We aim to intensify our support to the agricultural sector and generally to the rural population. This policy should aid our search for greater self-sufficiency in food supplies. It should contribute to our quest for a more even development as between different parts of the country and hence a greater political cohesion in the nation. And it should help us to keep within tolerable limits the drift of population away from certain parts of the country which, if allowed to get out of hand, would create grave social and economic problems both in the areas that are losing population and in the areas that are gaining population.

17. Parliament will have a chance of discussing the One-Year Plan when it is published. But I would like to mention here that there are certain pre-conditions for the successful implementation of the Plan all of which call for national unity and self-sacrifice. In the first place, we have to increase the level of domestic savings so as to be able to increase investments without becoming ever more heavily indebted to foreign private and public sources of capital.

18. Secondly, we should take the most vigorous steps to avoid excessive inflationary pressures and we can do this particularly through an increase in domestic food production.

19. Many elements in the budgetary measures which I will announce today are aimed at increasing the degree of competition in the economy as a means of combating monopolistic tendencies and high prices. In particular, the fields of transport and the distribution of consumer goods have been tackled in this budget so as to liberate initiative and increase competition with benefits to the economy and in particular to the consuming public. This policy of liberalisation runs us the risk of a further deterioration in the balance of payments. It once more calls attention to the need for us to increase our exports. More of our industrial enterprises should go after export markets. Higher incentives have to be offered to the producers of the minor agricultural export products. Established export traders have to improve their performance both by more determined export marketing and, in the case of cocoa, by a more successful exploitation of the available market opportunities.

20. Above all, we require during the coming year industrial peace. The past year has been plagued by a quite excessive loss of production resulting from a lack of industrial discipline which shows itself in the form of unofficial strikes. The Government's finances alone have lost NȻ700,000 in revenues from the gold mines owing to unofficial strikes that had been organised without any basis of genuine industrial grievances and with no serious attempt to use the established machinery for dealing with industrial disputes. This is all money that could have been used for national development, including improvements that would have benefited if not the miners themselves, then at least their relations and their home villages.

21. The Trade Union movement has now had the chance to select its own leadership by a free vote at its recent congress. I will repeat my call to the workers, now that they have selected their leadership, to give them full backing, to allow their leaders to represent them in dealing with their employers and with the government, and to avoid irregular and unofficial strike action.

22. It is my hope that this leadership itself, in presenting requests to Government or to employers on behalf of workers, will observe a due measure of realism. We have made no secret of the state of the economy or of the resources at our disposal. The wage and salary earning groups, as much as other groups, are entitled to a fair share of the national wealth. But the total volume of this national wealth must surely set a limit to how much each section of the population can claim. Exaggerated demands on behalf of this or that group cannot be met; or if they are met, they can only be met at the cost eventually of economic dislocation and collapse from which those who thought to have benefited will suffer equally with the rest of the country.

TABLE 1

AGGREGATE MOVEMENTS IN THE ECONOMY: 1966–69

	NȻ Million (At Market Prices)				NȻ Million (At Constant (1960) Prices)			
	1966	**1967**	**1968**	**1969**	**1966**	**1967**	**1968**	**1969**
Supply of Resources								
Domestic Production	1,793	1,778	2,067	2,328	1,113	1,133	1,149	1,190
Imports	285	300	354	394	277	233	251	268
Total Resources	2,078	2,078	2,421	2,722	1,390	1,366	1,400	1,458
Use of Resources								
Private Consumption	1,337	1,286	1,463	1,626	689	724	757	797
Public Consumption	261	308	363	412	172	193	213	226
Fixed Investment	246	213	224	242	207	154	142	147
Changes in Stocks	15	6	2	17	16	7	—	11
Exports	219	265	369	425	306	288	288	277
Total Use of Resources	2,078	2,078	2,421	2,722	1,390	1,366	1,400	1,458

Source: *Economic Survey*, 1969. Central Bureau of Statistics.

CHAPTER 2

THE MAIN DIRECTIONS OF BUDGET AND ECONOMIC POLICY

23. The commitment of the Government to introduce and maintain a policy of more rapid economic expansion has been repeated over and over again. During the period when it has been in office the Progress Party Government has been able to implement this policy mainly by stepping up the rate of expenditure under the budget which it inherited from the National Liberation Council. The time has now come for this Government to initiate policies which in addition to increasing further the level of its own expenditures as one of the prime movers towards economic expansion, will also stimulate development in the private sector in a more expansionary direction. This budget therefore provides for a sizeable increase in the level of Government development expenditures and of those parts of the recurrent expenditure that are more directly related to production and future development.

24. The policy measures which I will outline later on are designed to stimulate the private sector principally by freeing it of a number of administrative constraints. For years we have maintained administrative controls on the access of the private sector to the imported goods which it requires for production and investment. The supplies of imported goods for consumption have also been subject to administrative controls. These have usually had the effect of creating monopoly situations which offer the opportunity for a few favoured persons to make large profits on imported consumer goods. The supply of imported inputs for agriculture has been under central government control. Under this pervasive system of administrative licensing and other restrictions, the private sector of the economy has shown little dynamism or inventiveness. Where it could not lend to established prime borrowers with faultless security, the banking system has sometimes preferred to keep idle a large volume of liquid assets, instead of trying out new fields and new customers. Admittedly, the vagaries of a bureaucratically administered economy, working under the handicaps of fundamental disequilibria in important areas such as its balance of payments, has sometimes pushed the level of risk beyond the tolerable limits for both businessmen and bankers. Speculative enterprise rather than solid business has dominated the economy: and speculative business leaves few permanent improvements behind it.

25. The measures which I will announce presently are designed to liberate the private sector from as many of these restrictions and controls as we can afford to remove in the light of various constraints, including in particular the balance of payments constraint. Regrettably, we do not have at hand the variety or the number of financial institutions through which we can effect a rapid transformation of conditions in the field of credit. But what measures we are able to take are all aimed at stimulating the mobilisation of savings and improving the access of the rural and small business sector to organised credit.

26. Above all, this budget is designed to reinforce the action which we have had under way now for two years—to improve the rural and agricultural sectors. To the extent that rural development is to be stimulated with budgetary funds or with credit, the budget seeks to make available the maximum volume of resources. Almost certainly, we have provided more resources that are likely to be called upon in the coming year given the present capacity of the agencies concerned to administer agricultural services and to implement agricultural projects. We have done this so that during this financial year the budgetary constraint will no longer operate to inhibit rural and agricultural development.

27. I would invite members to do a little arithmetic with me. Add together the proposed development expenditures of the central Ministry of Youth and Rural Development, the budget of the Ministry of Agriculture, the relevant portions of the budgets of the Ministry of Works in the field of rural roads, rural electrification and rural water supplies, of the Ministry of Health in the field of rural health development, plus the rural development works that have been planned to be carried out at the regional level under Government's policy of decentralisation. Members will find that the total expenditures on these items for the coming year, our Government's total rural development programme for its first full year in office, will amount to N¢35.8 million in 1970–71 as compared with an estimate of N¢24.5 million during 1969–70. This shows an increase of more than 47.3 per cent over the previous year's estimate. And this is not counting such items as the expeniture of the Ministry of Education in the rural areas. We can justify say that the Progress Party Government is taking concrete financial measures to redeem its promise to bridge the gap between the different communities in this country.

28. We have stated on previous occasions when the House debated this matter that one of the least acceptable types of disparity in levels of development is the one that separates the rural communities everywhere in Ghana from the urban communities in terms of their enjoyment of basic social facilities and their access to job opportunities. Let me single out housing in this regard. Before now, Government's contributions to the improvement of rural housing has either been non-existent or else just another means of dissipating public funds. The money which has been collected chiefly from the farming population has been spent chiefly in non-farming areas when it came to the provision of housing. This year we intend to launch a programme for the improvement of rural housing with an initial investment of half a million new cedis as a revolving fund for the roof loans scheme. 150 blockmaking machines will be made available all over the country to help our farmers improve the quality of the houses in which they and their families live.

29. The re-orientation of Government's action in favour of a greater emphasis on improvements in the rural areas is not a policy change that will be implemented once and for all this year. It is a line of policy which we intend to pursue steadily and with ever-increasing force until by the end of this first term of office of the Progress Party Government it can be truly said that the face of the country outside the towns has seen a

thorough transformation. I can assure this country that, whatever financial difficulties we shall face, by the end of our first five years every part of Ghana will have benefited from this policy of rural advancement.

30. In planning this massive programme of rural development for the 1970–71 fiscal year Government has also taken steps to implement its second line of policy, which is to correct the disparities between regions in this country. We have not done this by way of instituting special devisive programmes under which, as was suggested in this House, the development of some regions will be held back in favour of the development of others. We have done this by identifying for each region some of its most pressing problems, the most serious obstacles to its further progress, and instituting particularly heavy programmes of expenditure to correct these. By taking such action within the framework of the overall national budget for the sector concerned, we have been able to preserve the necessary balance between the correction of regional imbalance and the continued progress of the country as a whole.

31. These programmes, such as the special water supply schemes to cure seasonal drought in the Northern Region which has hitherto claimed both human and animal lives each year, will be discussed in detail when my colleagues come to introduce their respective departmental estimates. Suffice it to say here, that the Government is proud to have been able in its very first year of office to find the resources for initiating on this scale such a radical change in the pattern of public expenditures. In the nature of things, resources of Government come to be mortgaged to the pattern of activities which is longest established. Major new departures can only be instituted either on the occasion of some important accession of new resources to the Government's budget or else through the slow erosion of the proportion of resources that are devoted to the traditional activities. As you know, this year our cocoa revenues have rather less rosy prospects than they had last year. We have also tried not to disrupt too heavily existing programmes which we know are themselves not endowed with excessive funds when assessed from the point of view of national requirements.

32. I must add immediately that it is also the view of our Government, based on a sober assessment of national needs, that the time has come to add to this primordial policy of rural development a fairly intensive set of measures to re-stimulate the industrial economy and thereby increase the opportunities for gainful urban employment. Unfortunately, our industrial economy remains heavily dependent upon imported capital goods and imported raw materials. At the same time it has developed little capability for exporting in order to help pay for its import requirements. Many so-called import replacing industries are on balance not saving Ghana any foreign exchange to speak of. The measures which I will announce in this area are designed to give the industrial sector more of its requirements of imported goods, at a suitable price, and at the same time to intensify the incentive that the industrial sector has to become competitive on an international basis, to cultivate export markets and to develop domestic sources of raw materials.

GENERAL POLICIES IN THE GOVERNMENT SECTOR

Section 1—BUDGETARY SAVINGS

33. For years Governments in Ghana have struggled to hold in check the persistent increase in the cost of administering the country. In the period 1960 to 1965 the recurrent expenditure of Government increased at an average rate of 14 per cent per annum. During the four years of budget making under the National Liberation Council the average rate of increase had been considerably reduced, but it still ran at a level of 7 per cent per annum. By the last year of the National Liberation Council a measure of stability had been achieved: leaving out of account the increases that were caused by the once-and-for-all rise in civil service rates of pay, the recurrent budget in 1969–70 rose by only 3 per cent over the previous year's level.

34. This financial year the budget has to make provision for a number of new obligations for recurrent expenditure that arise from the constitutional evolution of the country. These include the establishment of a Parliament, a Cabinet and a Supreme Court, and the forthcoming re-establishment of a comprehensive system of local government. In spite of these inescapable obligations, and of the secular tendency for administrative expenditures to rise due to normal increments within the scales of staff salaries and to rising prices of consumables in the administrative sectors, this year's recurrent estimates show an increase of just N¢10 million. This is an increase of only 3 per cent in the expenditures to be incurred on the administration of the country. We count this as a significant success. It is only by keeping down the claims of the administrative sectors on budget resources that we can find in the budget an adequate contribution out of tax revenues towards our own national development programme. As the Prime Minister has repeatedly said in his calls to the country, there are a lot more economies that can be effected through a more diligent co-operation by members of the public services with the programme of economies which the Progress Party Government has launched.

(i) *Vehicles and Plants*

35. In order to achieve further economies, Government has decided on certain broad measures which I will now outline to you. First of all the procurement and maintenance of vehicles, plant and machinery by Government agencies. It has been agreed to standardise the procurement of vehicles by Government for this year on a limited number of vehicles for stated purposes and to institute a system of bulk purchasing of such vehicles and plant. The details of this measure, which is expected to save a substantial amount of money, will be notified in the appropriate administrative circulars. What it will mean will be that for given purposes such as delivering mails from one government office to the other all Government departments will use the same make and standard of vehicles. These standardised vehicles will also be procured on a bulk basis by consolidating the requirements of all branches of the Government sector for vehicles for a given purpose.

36. Secondly, maintenance of equipment. It has been decided to pool together the facilities which have hitherto been operated by individual government agencies for the maintenance of vehicles, plant and machinery. A commercially run agency, the Central Engineering Services Corporation, will be established to take over the job of vehicle and plant maintenance from individual agencies. The waste resulting hitherto from the attempt of each agency to operate its own maintenance services is well known. What we have not had before was a firm decision to change this state of affairs. The new organisation will be able to offer radical maintenance services at a number of centres in the country thus avoiding the need to send all vehicles and plant to the congested facilities in Accra and Kumasi as at present. It will also be able to institute a more effective system of preventive maintenance for Government vehicles and plant so as to increase the degree of utilisation of such equipment. Taken together with the decision to standardise on types in the procurement of vehicles and plant, it should soon be possible for this central government agency to achieve a high degree of proficiency in servicing the limited range of Government vehicles and plant and to effect considerable economies in the procurement of spare parts and materials for the equipment.

37. The Central Engineering Services Corporation will be run as a commercial public corporation to compete on an equal footing with other such enterprises. Though it will be assured of a large volume of government business this will be on the basis of its ability to deliver results competitively. To achieve this, arrangements will be made which will in certain defined circumstances give the agencies that own these vehicles and plant the sanctions of free consumer choice against the new corporation. In its turn the corporation will be capitalised and staffed at a level adequate to enable it to deliver value for money.

(ii) *Buildings*

38. We are in sight of some viable solutions to the problem of high building costs in the Government sector which so limit the ability of Government to produce improvements with the funds available to it. These solutions, such as building with wood and landcrete, being novel to the public officers concerned will not be widely adopted unless some pressure is applied. It is therefore proposed to condition the authorisation of Government building-starts during the year upon the adoption by the agency concerned of the approved new standards as methods of building that are suitable for its particular circumstances. More will be said on this matter at a later stage of the Parliamentary session.

Planning

39. As was announced in the Sessional Address to Parliament the Government considers that the time has now come to lay out a long-term policy of development in the form of a multi-annual development plan. During this financial year a Five-Year Plan covering the period 1970–75 will be elaborated and laid before Parliament for approval. I need not rehearse the reasons for such planning or the significance of the decisions

that Parliament will be asked to take in debating the National Plan. The leading direction of policy which will be reflected in this plan is by now familiar to everybody. The Plan will aim at achieving by 1975 a substantial measure of success in consolidating the rural and agricultural basis of our national economy.

40. In addition, the Plan will have to tackle specially two other subjects which are of crucial importance, namely, the foreign trade sector and the question of employment. I will not now anticipate the answers that the plan will provide for the solution of these very difficult problems. What I can say now is that in the process of formulating the plan we intend to consult with as wide a cross-section as we can reach of the various interests, skills and opinions in our society. Already, we have the Regional Planning Committees which have recently been reorganised. It is intended to establish a national consultative organ together with its subsidiary committees to advise Government on the orientation and the content of the new national development plan.

Section—2 EMPLOYMENT

41. This budget does not contain any schemes designed simply to make work for people as a means of curing the problem of unemployment, whose terrible import is at the same time so visible to the Government. All of us in Ghana are aware of the results of attempts that have been made in the past to put people onto the government pay-roll, whether they produce anything or not, as a means of dealing with the unemployment problem. This approach only leads to trouble, including in particular the aggravation which it causes to the problem of inflation. People who are paid wages and who do not contribute to the production of domestic wage goods, or to the production of exportable commodities, only add by their expenditures to the volume of money seeking to buy a fixed quantity of goods. I am sure that nobody wants to risk a repetition of the inflationary chaos of five years ago.

42. The emphasis of our action is therefore placed on creating conditions where the opportunities for employment in productive activities will multiply rapidly. Everybody agrees that more of the unemployed persons should settle down to farm. But many of these unemployed people are young boys and girls who cannot set up as independent farmers. If they are to go into farming then somebody must be available to employ them. And the level of wages which they have come to demand is such also that the potential employer must be a modern farmer able to pay reasonable wages out of the high productivity of labour that results from his modern methods of farming. It is this class of farmer who is particularly lacking in the country now. This is what gives such special importance to our endeavours to persuade more mature and skilled agriculturists to set up farming businesses. That is why also we welcome more ventures along the lines of those that are now established in really large-scale grain farming. Locally produced food still forms the foremost item on which Ghanaians spend their income. Unemployed people who can be absorbed into increasing the supply of these local foodstuffs are thereby contributing most directly to their own upkeep.

43. A sizeable part of the development of agricultural raw materials production which I have called for will have to come by way of the establishment of large-scale plantations. These are also potentially an important employer of labour. The capital will be made available. What is missing is the entrepreneural ability to put together this capital, the land which we have in such abundance and the labour which is standing unemployed.

44. Our policy for the reflation of the industrial economy will also create more job openings. We are expecting that the increases in industrial output that will occur this year will largely come about through the application of more labour to the existing productive capacity rather than through the construction of new industrial capacity.

45. Above all, there is the expected impact of the Government's development programme which is being budgeted for at a level almost 50 per cent higher than the capital expenditures achieved last year. It is partly the need to put more of our people to work in building the nation that makes the Government feel justified in aiming for such a large increase in its capital outlays.

Section 3—National Service Corps

46. Quite early on, it became obvious to the Government that we could not hope to absorb a substantial amount of the labour power which is available to carry out all the tasks of development which fall to be carried out by us unless our Government could employ methods other than the traditional ones of Government construction work. In addition, there was the obvious idealism of so much of this youthful labour which it was the duty of an imaginative public policy to mobilise.

47. It was in the light of these facts that the Prime Minister launched the idea of the National Service Corps. This organisation has now begun with its first specific project. Its method of work will consist entirely of picking up individual, identifiable and finishable projects, primarily in the rural areas, which can make a vital contribution towards improving social and living conditions in the community in which they are situated. For this financial year N¢2.3 million has been provided in the estimates to feed the volunteers who will join the National Service Corps and to provide them with tools and equipment. The Regional and District Committees of the National Service Corps are helping to identify what the local population feel to be their most urgent needs. The resources of the Corps will be applied in answer to these priorities of the local communities.

48. The Government expects great things from the National Service Corps; but we are not blind to the pitfalls on the way to their achievement. We have proceeded cautiously in launching the first field projects of the Corps. We will learn from experience as we go along. But the central idea, we hope, has been established once and for all. It is that whatever the financial difficulties that the nation may face, the energies of its people are there and can be tapped for the progress of the community. As long as the people are willing to put forth this energy in the service of the nation then no amount of financial difficulty can hold back the development of the country.

CHAPTER 3

SECTORAL PROGRAMMES AND POLICIES FOR 1970–71

Section 1—AGRICULTURE

49. In accordance with the continued priority which Government has accorded the agricultural sector in its policies, the total expenditure in this field under the budget is due to increase by an amount of N¢4.3 million in this financial year. In addition to the Ministry of Agriculture's vote of N¢30.9 million we plan to invest N¢4.8 million in agricultural activities below the line; including N¢1.2 million as loans to the Agricultural Development Bank; N¢770,000 of investment funds to complement the loan of $8.5 million which the World Bank has granted to Ghana for the rehabilitation of cocoa in the devastated areas of the Eastern Region; N¢400,000 for the State Farms Corporation; N¢700,000 for a Poultry Project at Pomadzi; N¢1,500,000 for the Co-operative Bank and N¢250,000 for the Task Force on the distribution of food.

50. These allocations of Central Government funds should be viewed only as the contribution of the Government which is needed to prime the pump of agricultural activity. The bulk of investment in agriculture and expenditures on current agricultural production is financed by the private farmer and by the financial institutions. Government's expenditure on agriculture should be judged only by the extent to which the public effort is adequate to call forth the necessary private effort.

51. As far as concerns direct financial contribution to the private sector of agriculture I am able to announce the following: Government will make available up to N¢1.5 million through the Co-operative movement for onward lending to cocoa farmers in the form of seasonal advances. In addition income taxes on co-operatives have been dropped altogether in order to help the movement. It has come to the notice of Government that the amount of seasonal credit available to the cocoa industry has tended to shrink at a time when production costs, especially labour costs, have been rising. It is my hope that other sources of financing, working either directly or through the Cocoa Marketing Board, will be able to provide to other participating agencies in the cocoa trade the means for financing an adequate volume of seasonal credit to cocoa farmers this year.

52. I have mentioned the cocoa rehabilitation project and Government's counterpart contribution. Under this project a total of 36,000 acres of devastated farms will be replanted with high yielding varieties and 51,000 acres of standing cocoa will be rehabilitated. Three local banks have agreed to lend N¢1.5 million each towards this project. Nine thousand acres of cocoa farm will be re-planted during this financial year and the whole programme will be completed in five years. This will necessitate the establishment this year of 2,000 additional acres of cocoa seed garden. For this purpose the Ministry of Agriculture will commence again its programme of seedling propagation on 15 cocoa stations and establish 250 additional nurseries in other areas. By the end of this financial year a field force of two thousand assistants and four thousand

disease spotters will be out in the country looking for outbreaks of swollen shoot, thus helping to check the spread of this disease as well as generally to improve the industry. Government will repeat this year its undertaking to subsidize up to 400,000 gallons of capsidicides so that it can continue to be sold to farmers at the price of N¢4 per gallon.

53. The above can be considered, by any yardstick, to be a formidable volume of assistance by Government to the cocoa industry. Proposals have been made to us for one additional measure, namely to raise the producer price. As you know, the producer price of cocoa has been raised by successive steps from N¢4.00 to N¢8.00 per load during the last four seasons. The industry has not had time to show its response to these price increases. I estimate that if sufficient labour is available then the present producer price will be able to stimulate a reasonable rate of growth in Ghana's cocoa production without at the same time pushing the industry into a position of excessive production. Ghana's 1969–70 crop outturned at some 380,000 tons and we expect little change in the coming season.

54. Government has decided to extend the period during which the present producer price of cocoa will be guaranteed to the farmers from three to five years. This means that for the next five years anybody who produces cocoa can be sure that at the very minimum he will receive N¢8.00 per bag for it. I should point out that this decision will represent an important new departure in the cocoa industry. For the first time in the history of this industry every farmer who plants cocoa will know that by the time it comes into bearing he will receive a guaranteed minimum price for it. I hope that year by year this period of guarantee can be maintained so that the price of N¢8 per bag will become the long-term floor price of cocoa in Ghana. This should remove some of the uncertainty with regard to price which hitherto has been one of the most serious obstacles to the orderly development of the cocoa industry.

55. During the last eight months the international cocoa market has continued to exhibit its traditional instability. Prices have ranged between £340 sterling per ton at the top and £250 sterling per ton at the bottom, a spread of prices that bedevils all rational economic management. It is unrealistic to expect that barring some very severe accident to the maturing crops in West Africa, the high prices that ruled at the beginning of the 1969–70 season will be repeated in the 1970–71 season. The market expects a world crop of around 1.4 million tons, and the favourable trends of consumption in Europe and in the United States should assure a reasonable balance between production and consumption. In that case the recent recovery in prices could conceivably be maintained. But the prospects are too uncertain to count on in making government policy. The path of prudence in the face of the experiences which we have had in the past year is for the Government not to commit itself at this time to another rise in the producer price. But I should repeat the promise which we have made as a party and as a Government: that is that should the market begin to look up once more and appear likely to stay healthy, then Government will immediately take steps to increase the producer price.

56. Outside cocoa, the Ministry of Agriculture has decided to concentrate its activities on promoting the cultivation of rice and corn. The Grains Development Board has been provided with a substantial budget to assist the growers of food grains. Already two very large-scale grain farms have been established at Atebubu and Ejura. Government stands prepared, either directly or through the Agricultural Development Bank and the National Investment Bank, to help to finance additional projects of this type. Our present difficulty is how to find competent managements who could plan, establish and run such large-scale farms.

57. For the small-scale farmers the Ministry will intensify its supporting activities including especially the supply of superior seeds, of fertilizers and of technical advice. Farmers in this sector will be allowed to buy at reasonable prices most of the wheeled tractors which are now held by the Ministry of Agriculture as soon as these have been rehabilitated.

58. The guaranteed prices of NȻ8.00 for rice and NȻ6.00 for maize will be paid by the Food Marketing Board and the Agricultural Development Bank for all grains coming forward during the year. We are aware that the number of buying points and the efficiency of the purchasing arrangements are far from being adequate. We know that the rice producing industry suffers from a shortage of milling capacity which has resulted in the accumulation of large stocks of paddy in the hands of farmers, and that corn producers do not have enough assistance with the shelling of their crops. These fortunately are bottlenecks that can be resolved by the application of finance. Government proposes to apply the necessary finance accordingly.

59. I should mention the International Institute for Tropical Agriculture which has recently been established at Ibadan in Nigeria to help to develop and propagate improved varieties of these food grains in middle Africa and with which the Government of Ghana is maintaining the closest co-operation. We all know of the tremendous transformation that has taken place in the food growing industries of the other poor regions of the world following the application of science and technology to the development of new varieties of crops and improved farming practices. Already some of these results have been imported into Ghana and have yielded impressive results. It is the intention of the Government to import into Ghana on behalf of the farmers any advances that may be made at the Ibadan Institute or elsewhere and which will seem to be applicable in the circumstances of this country.

60. The principal action that is being taken in connection with other items of food is to ensure that the supplies which are available will reach expeditiously and regularly the urban markets where the bulk of the cash demand is concentrated. Government will support fully the experiment which it has mounted through the Task Force to establish a modernized distribution system for bringing food from producing areas to the main population centres. The measures which I will presently announce for further facilitating the transportation of goods should be of particular interest to the food producing industry.

61. Poultry farming has now become a well-established agricultural activity working with modern methods, due largely to the past promotional efforts of the Ministry of Agriculture. The Ministry itself has two large-scale poultry enterprises principally engaged in the breeding of chicks for private poultry farmers. The one at Pomadzi is now ripe for turning into a full-scale commercial enterprise. It has accordingly been decided to end the pioneering work of the Ministry and to turn over the existing facilities to form the nucleus of what will eventually become one of the largest poultry projects in this part of the world.

62. The private poultry farmers have shown their ability to operate a modern industry. But a number of obstacles continue to stand in their way and egg prices remain very high at most centres in Ghana. It has therefore been decided to assist them through two measures of liberalisation. With effect from now they will be able to import day-old chicks and also to import additives for chicken-feed under Open General Licence. There will of course be certain adjustments in the duty which they will have to pay in respect of such imports. But I hope that with the help of these decisions they will be able to improve the breeding and laying stock of poultry in Ghana and they will be able to feed the stock adequately so that their laying and growing performance can be improved. I am sure all of us would like to see lower prices for poultry and eggs before Christmas time this year.

63. A careful beginning has been made with the development of cotton and fibres for the manufacture of sacks. The farmers who grow these fibres are being assisted with an amount of material and advice which Government expects to increase steadily. A continuing deficiency, about which sadly not enough progress is in sight, is the deficiency of fruits for our canneries, of oil seeds to meet the requirements of the soap industry, and of cotton or even starch for the textile industry. The State Farms Corporation which has 13 thousand acres under oil-palm in the Western and Eastern Regions is still alone in trying to grow oil-palms on a plantation scale. It is hoped that the World Bank and the local soap producing industry will soon be able to come to the assistance of the State Farms. Meantime, the necessary capital and managerial reorganisation of the State Farms Corporation is being carried out in order to make it possible for other investors to join Government financially in expanding its operations.

64. Let me say this: we are taking steps to make raw materials more freely available to local industries. But so far these industries cannot be said to be over-exerting themselves to seek out or to develop for themselves local sources of supply. We cannot continue indefinitely to allocate foreign exchange to meet the requirements of these industries. Unless these enterprises can be seen during the next eighteen months to be making a serious effort to correct this situation government will be forced to deny them foreign exchange and instead to spend the money in importing finished goods from abroad which are after all often cheaper and of better quality than the local product.

65. The Ghana fishing industry was the beneficiary last year of an International Bank loan for the production locally of improved models and larger sizes of boats for the small-scale and co-operative fishing sector. The capacity of the Boat Yards Corporation to produce these boats has been improved. At the large-scale end of the fishing industry our performance continues not to be satisfactory. In spite of the fact that Ghana now owns the biggest fish catching capability of any tropical African country, we have had to continue to allocate large sums of money for the importation of fish from countries whose trawlers regularly fish off our own coasts. At the same time, we have to pay foreign exchange for these locally registered boats which are being utilised at far less than their capacity.

66. There is a problem of ensuring that the fish that is caught by Ghanaian trawlers is all landed here or that the sales proceeds from the landings at other ports are fully repatriated. There is also the need to improve the management performance so that the rate of capacity utilisation will be greater. Certain measures in respect of the former problem will be announced by the Minister responsible for Agriculture. Both the private trawler owners and the State Fishing Corporation will continue to receive every co-operation from Government in any attempts which they may make to improve their performance.

67. Last year I announced that Government will assist civil servants who wish to leave the public service in order to go into farming. Already a number of such officers have left the Government service and established themselves as farmers with very generous assistance from the Agricultural Development Bank. Many more such farmers are in the process of discussing their projects with the Banking institutions. I am glad to be able to announce that this year, in addition to all the assistance that is already available, Government has decided to establish a special loan fund of N₵600,000 for public servants who go into farming.

68. This fund will be administered through the Agricultural Development Bank and the Commercial Banks under the authority of a special committee representing the Ministries of Agriculture and Finance and the banks concerned. But as compared to the normal credit of the Agricultural Development Bank, the administration of this fund will be marked by specially favourable conditions. Public servants who decide to go into farming will be entitled to a loan equal to five times their retiring annual salaries or three times the gratuities due to them whichever is higher. This will be in addition to any loans which the Banks may make to them out of their own resources. This money, of course, will be advanced to them largely in kind, in the form of land, equipment, buildings and farm supplies. They will also be able to use part of these loans for working capital. Repayment periods will be more flexible, with a maximum of seven years for the amortization of loans which are granted for land improvement and clearing. I hope that with these measures more public servants will answer the call to go into farming. The Lands Commission has begun to function and government intends to call on its assistance in acquiring land for onward leasing to prospective farmers who are helped by Government or by financial institutions to go into farming.

69. I have gone into these matters concerning agriculture in some detail because agriculture remains by far the biggest pre-occupation of the Government. Once we can be assured of adequate food production, of maintaining our place in the world cocoa market, and of a reasonable supply of agricultural raw materials, the economy can be considered to be established on solid foundations. Until then we will continue to live insecurely, at the mercy not only of the weather at home but also of the ever-rising costs and the vagaries of outside sources of supply, for the most basic requirements to sustain our lives.

Section 2—TRANSPORT

70. For many years now, owing to balance of payments difficulties, it has not been possible to allow into Ghana imports of as many vehicles for the transportation of goods and passengers as would be warranted by strictly economic considerations. As a result, the country's stock of transport equipment has aged progressively and in total volume has fallen further and further behind the requirements for the movement of goods and persons. Last year we removed all administrative controls on the importation on spare parts in an effort to facilitate the maintenance of this ageing stock of transport equipment. The desired effect of this on transport costs has been somewhat frustrated by monopolistic practices in the supply and distribution of spare parts for some of the most popular makes of vehicles.

71. I would remind the House, that monopolistic provisions in any agency agreements between foreign suppliers of any goods whatsoever and their agents here in Ghana are now out-lawed under Clause 12 of the Business Promotion Act. New businesses, especially Ghanaian business, are yet to take advantage of this legislative opportunity by securing franchises for the distribution of transport equipment and spare parts in competition with the previous sole agents. Government is prepared to assist with solid cash any business-like concerns which organise themselves to secure competitive agencies in these fields, especially if such concerns are owned by Ghanaians.

72. This year, it is considered expedient to go one step further beyond the policy which was introduced last year. It is proposed to remove all licensing controls on the importation of commercial vehicles for the movements of persons and goods. The conditions for this liberalisation I will outline presently. But I will emphasise here that from this time onwards commercial vehicles are freed from any import licensing requirements whatsoever. Anybody in Ghana who wishes to import a commercial vehicle may do so without restriction. Administrative regulations for implementing this measure of liberalisation, and for distinguishing commercial vehicles from cars, will be outlined in the changes in customs regulations which I will announce later.

73. In recent months public transport for the movement of people day by day to their places of work has been found wanting in all the major urban centres and especially in Accra and Kumasi. The working population has been exposed to extortionist demands from the owners of private passenger vehicles. Monopolistic situations have emerged which vehicle owners have tried to exploit. Government has set its face firmly against such a development and proposes to combat it. Ghanaians with the money to buy commercial and passenger vehicles can now do so without the obstacle of having to wait in the long queues of prospective buyers who have lined up at each vehicle distributing and assembling agency in Ghana. These motor companies can order unlimited numbers of vehicles themselves for assembling or retailing. The prospective buyers can order directly from agents overseas if the local firms are unable to deliver rapidly. And as I said, I hope that new distributors of vehicles and spare parts will emerge whom Government can support.

74. In addition, we will implement two measures. First, Government in co-operation with the financial institutions will establish a hire-purchase company which will finance the buying of a sizeable volume of new transport equipment. The result of this should be that potential operators of transport services for the carrying of goods and persons will find it more easy to buy the vehicles.

75. Secondly, the Omnibus Services Authority should by this time next year have substantially completed its programme for rehabilitating those of its buses that can be put back on the roads. In addition, Government will finance it to acquire in the coming year new buses to a tune of N¢500,000. Its programme of re-equipment and standardisation will also be carried over into subsequent financial years. By the end of 1971 it is our hope that the bottleneck in the transportation of people to their places of work day by day in urban areas will have been finally broken.

76. At the other end of the scale of transport services Government has contracted to buy two new aeroplanes for the internal air services which should be delivered by December this year. In addition to increasing the frequency of air services at the major centres of Accra, Kumasi and Sekondi-Takoradi these new planes will enable the Ghana Airways Corporation to open up or intensify air services to Tamale and Sunyani. And Government is giving consideration to establishing in the coming years new air transport connections to other commercial and administrative centres such as Bolgatanga and Wa.

77. You will notice in the proposals for liberalising the importation of transport equipment that these are limited to certain countries of origin. In the face of our balance of payments difficulties we can only afford to meet the impact on our foreign exchange resources of this measure of liberalisation if we can be assured of balance of payments support from the countries concerned. At the present time the principal aid donors to Ghana are the United States, the United Kingdom, the Federal Republic of Germany, France and Canada. Accordingly, the Open General Licence on vehicles only applies to these countries. If during the year the requisite balance of payments support can be arranged with

other countries which export vehicles then purchases of vehicles from those sources by Ghanaians will also be liberalised. Moreover, this policy measure has been decided in the light of the undertaking which has been given by the aforementioned major donor countries that they will increase their balance of payments support to Ghana during this financial year after our forthcoming Consultative Group meeting.

Section 3—ROAD CONSTRUCTION AND MAINTENANCE

78. In the last two years the emphasis of public policy in the field of roads has been one of (*a*) catching up with the backlog of maintenance on the existing network of roads and (*b*) concentrating new construction on feeder roads and secondary roads and on village access roads. As regards the maintenance of the trunk road and secondary road networks the main requirement has been to build up the capability of the Public Works Department (P.W.D.) to carry out road maintenance works and to supervise contractors for this purpose. Last year the appropriation for highway maintenance was increased by 50 per cent from NȻ6.9 million to NȻ10.4 million. NȻ9.9 million of this allocation was actually released during the year—that is, all but half a million new cedis of the allocation. The actual physical performance of the P.W.D. on highway maintenance was however much lower than would be inferred from these expenditures. Firstly, the unit costs of the estimates on maintenance were not always quite realistic. Secondly, plant maintenance is still by far the weakest aspect of P.W.D.'s operations. This means that a lot of equipment is spending a sizeable proportion of its useful life-time off work while it undergoes repairs.

79. There is an allocation of NȻ2.9 million for providing the P.W.D. with new equipment. This provision could be vastly augmented if the equipment already available to the department could be kept more continuously at work. That is why Government attaches such importance to its decision to establish the Central Engineering Services Corporation.

80. As regards P.W.D. equipment which is temporarily unserviceable, it has been decided to make arrangements for an intensive programme of radical reconstruction which will put back into service as much of this equipment as can be salvaged. The experience which we have gained with salvaging many millions of cedis worth of otherwise unserviceable equipment in the hands of the State Construction Corporation (S.C.C.) suggests that similar arrangements for the rehabilitation of plant in the P.W.D. should pay handsome dividends.

81. Secondly, Government's stock of construction equipment has suffered from a lack of systematic preventive maintenance, the care of vehicles and plant that is concerned with avoiding their breaking down as distinct from repair work which is done after the equipment has already broken down. During the coming year one of the most important items of re-organisation in the P.W.D. will be an improvement in its system of preventive maintenance—if necessary through contracts with private firms.

82. The total allocation of budgetary funds for roads maintenance will be increased by another 14.4 per cent to N₵11.9 million in the present financial year. A further sum of N₵200,000 has been provided for the completion of feasibility studies on the basis of which external long-term loans can be raised for the carrying out in future years of a national road rehabilitation and improvement programme designed to prevent a re-emergence of the sort of widespread disruption which we have witnessed in the recent past. Government is particularly determined that during the coming year most of the backlog of highway maintenance work on the principal road arteries which had built up after many years of neglect will be made up. The major part of the trunk road construction vote of N₵6.7 million for 1970–71 will be spent on the reconstruction of the Nsawam–Bonsu Road on which progress is very fast.

83. Last year I announced that the P.W.D. will contract out to private contractors a lot of the highway maintenance work. A corollary of this, which has now been decided by Government, is that P.W.D. and S.C.C. should give up their participation in the smaller scale roads construction programme. As far as concerns the S.C.C. it has been decided that a floor of N₵300,000 will be set on all roads contracts awarded to the Corporation, unless explicit evidence exists that other contractors are not available to bid for such small contracts.

84. P.W.D. itself has been authorised to increase its capacity for supervising road works which are undertaken on its behalf by private contractors. It is one of the few Government departments which will be allowed in the coming year to increase its staff establishment and to fill its vacant posts without restriction.

85. As concerns the construction of new roads in Ghana the policy which was laid down in The Two-Year Development Plan has been carried out apace. The feeder roads net-work has grown rapidly. In the financial year ended in June, 1970, the mileage of feeder roads completed is estimated at 326 as compared to about 284 in the previous financial year. During the coming 12 months a further acceleration will be attempted: the target for feeder roads mileage has been set at 450. In order to fit the feeder roads schemes into the overall national development objectives a Feeder Roads Board has been established. Thus in each region it should be possible to determine which roads should be built in accordance with our order of economic priorities. It is planned that this process of rationalisation will result in the formulation of a comprehensive national feeder roads programme which will be incorporated into the National Development Plan.

86. It is emphasised that the new feeder roads are being built to a standard which will enable them to function eventually as a part of the secondary roads network of the country. In particular, we are looking forward to the time when road surfacing bitumen will be locally produced, thus enabling us to put a permanent surface on all the secondary

roads which are now being constructed under the feeder roads programme. For the time being, the geometrics of these roads are being designed to make them suitable for future transformation into secondary trunk roads.

87. The other aspect of the small roads programme on which Government has sought to place increased emphasis is that of village access roads most of which are planned to be constructed under the auspices of the Ministry of Youth and Rural Development and by means of communal self-help. Under the 1969–70 budget the allocation for this village roads programme was set at N₵1 million of which N₵668,000 was spent during the year on the procurement of equipment and only N₵180,000 on actual road improvement and construction work. In the coming year it is proposed to procure for the village roads programme an additional N₵800,000 worth of equipment.

88. It is emphasised that the village roads programme is principally concerned with road works which are to be undertaken through community self-help. The emphasis is, and will continue to remain, on labour intensive methods which are suited to such community development projects. The Ministry of Youth and Rural Development is being allowed however to acquire sufficient mechanical equipment so as to enlarge considerably the amount of road mileage that can be constructed through community self-help in the face of those tasks such as gravelling that, from a physical point of view, have to be undertaken with the aid of some mechanical equipment. It is not intended to duplicate the Public Works Department.

89. During this financial year it is proposed that phase two of the national feeder roads programme which is under the management of the P.W.D. should be substantially completed by the contracting out of an additional 417 miles of feeder roads. At the same time it is planned that the Ministry of Youth and Rural Development should undertake 600 miles of village road development works at a total cost, apart from purchases of road construction equipment, of N₵708,000. After the acquisition of this amount of equipment the Ministry of Youth and Rural Development should be able to maintain a level of actual road construction works worth around N₵1 million per annum, or about 850 miles per annum. The national feeder roads construction programme should also reach its target level of 500 miles per annum by the end of the year.

90. The problem of the maintenance of all this increasing mileage of roads has engaged the attention of Government. It is apparent that local government authorities which are supposed to be responsible for the maintenance of the largest mileage of roads in Ghana have fallen very far behind in their capacity to carry out this responsibility. The previously existing village access roads and the many hundreds of miles of such roads that are now being constructed under the auspices of the Ministry of Youth and Rural Development will therefore pose a major problem of maintenance. We cannot allow all this investment to run to waste as some of our roadworks have done in the past for lack of maintenance.

91. The national feeder roads programme has in the last two years also added a significant mileage to the existing stock of secondary roads. For the time being arrangements are being made for the central government to carry the maintenance costs of these secondary roads. But clearly, we will soon have to take a decision about the sharing of responsibilities for the continuing maintenance expenditure on this increasing mileage of roads between the central government and the local government bodies.

Section 4—HEALTH

92. This financial year will mark the beginning of the full-scale implementation of the programme of rural health development which has been discussed for so many years. I need not review in any detail the reasoning behind the concensus which has emerged among professional and civic leaders that preventive medicine and the upgrading of the health levels of the masses of the people are in the long run the only viable policy for our health services. In the coming year 12 health posts which have been under construction will be completed and commissioned. These cover all parts of the country from Yamfo to Half-Assini and from Bawjiase to Chiana. In addition, construction will commence on 10 health posts. In total, Government will spend N₵1.7 million on the construction programme for health posts and health centres.

93. In order to make this expenditure go as far as is possible it has been arranged to mount a co-operative programme between the Ministries of Health, Housing and Youth and Rural Development for their construction. This should result in a substantial reduction in the construction cost of each rural health post and health centre. Under the previous arrangements the cost of each health post, for instance, was running as high as N₵80,000 of which fully one-half was for the construction of staff housing and other ancillary facilities. By mobilising local self-help and by constructing these buildings to more realistic designs and with the available local materials it is planned to reduce substantially the cost of each health post thereby enabling the Ministry to build more health posts with its budgetary allocation. The national plan for the development of these rural health facilities has been drawn up on the basis of relevant factors such as population distribution and distances to other health facilities. At the same time, it is the wish of Government to call on as much local initiative and self-help as can be mobilised to shoulder this massive task of providing for the health needs of all our rural population.

94. The availability of trained personnel, sometimes more than the availability of finance, has been a major constraint on the ability of Government to spread health facilities to the rural areas. This bottleneck is being tackled vigorously. The training of health centre superintendents and field technicians at Kintampo which is now running at a level of 20 students per year will be doubled and female students will be admitted to the course. The previous requirement of 10 years' nursing experience before personnel become eligible for such training will also be reduced to 5 years so that more candidates will become available for training.

95. I might mention also the developments in the training of other groups of medical personnel. The structure of nursing training has been radically re-orientated to cater for public health, mental health and midwifery training in addition to general nursing. This will ensure that a greater proportion of trained nurses will be able to embark on these specialised careers after obtaining their basic nursing qualification.

96. The medical school which graduated 22 new doctors this year is aiming at an annual out-turn of 50 doctors, a target which it expects to reach within 2 years. Taken together with the 15 to 20 doctors that are expected to return from overseas training each year this will radically alter the position with regard to the supply of doctors. It will for the first time make it possible for Government to plan meaningfully, to assign trained doctors to the rural populations away from the major hospital centres. The para-medical personnel who work in the rural areas will thus be backed by more adequate professional services.

Section 5—WATER

97. It used to be that the provision of health facilities was not co-ordinated with the provision of good drinking water so that people who were treated for diseases, so many of which they catch from drinking unhealthy water, kept constantly going back to the hospitals with the same diseases. At the same time the development of rural health facilities, when not co-ordinated with the programme of water supply development, resulted in the construction of expensive small water supply schemes to cater for the health centres and health posts while the people in the host villages often went without a clean water supply. It has been decided that a major programme for rural water development should be launched this year side by side with the programme for rural health facilities and that the two programmes should be co-ordinated so that clean water and new health services arrive in the villages together.

98. The Ghana Water and Sewerage Corporation will undertake on behalf of Government a rural water programme that will cover 600,000 additional persons and will involve the expenditure of N₵4.61 million. This will be the highest expenditure ever made by Government for the supply of safe drinking water to additional numbers of our rural population in any one year.

99. Our water development programme has two other special features, which are worth mentioning. A separate allocation of N₵415,000 has been made in the budget to assist various communities which decide to construct dams, henderson boxes, wells, and other simple water supply facilities for themselves. This will make it possible for many of the very small communities, which still hold such a large proportion of our farming population, to provide themselves with clean drinking water on the basis of self-help. Secondly, the drier parts of the country have, as is well known, traditionally suffered from seasonal shortages of water which are a great menace to human beings and livestock. The programmes for small dam construction under the Ministry of Agriculture will in the coming year provide another 21 dams which will serve to avoid the

seasonal water hunger. In addition, there is a special programme for the Northern Region where the previous programme for drilling wells has turned out to be particularly unsuccessful. A special allocation of money has accordingly been made for the construction of 18 new surface water supply schemes by means of dams to be built in that region.

100. At present we have a difficult problem with the maintenance and running of these village water supplies. In principle, the local communities are supposed to be responsible for the running and maintenance of these rural water supplies. In view of the weak financial and organisational condition of so many local government bodies, Government has had to carry the responsibility for the running of these schemes. During the financial year this responsibility will involve the expenditure of N₵1.66 million by way of subsidy for the running of these water supplies. Next year, by which time we hope that the local government bodies will have established themselves administratively and financially, we will have to ask them to take over at least a part of these responsibilities.

101. The Water and Sewerage Corporation is being organised into a business-like public utility concern to run those water supplies schemes that are now or could potentially be self-financing. In addition to the water supplies for Accra-Tema, Kumasi and Sekondi-Takoradi, ten other urban and district water supply schemes are at present included in the commercial sector. In these places the tariff policies and the development programmes of the Corporation will be aimed at generating sufficient funds, and making it possible to borrow other funds, such that steady programmes of expansion and improvement can be sustained by the Corporation without further calls on the central government's budget.

102. In the coming year, construction will start on the new water and sewerage system for the Accra-Tema area. For this a loan of N₵3.57 million was granted to the Ghana Government by the World Bank in 1969. The Barikese water supply which will assure Kumasi of its water for many years to come will also be fully commissioned.

Section 6—EDUCATION

103. We are now coming to the end of a period when we have had to absorb the consequences of many previous radical decisions in educational policy some of which, as is well known, were ill-planned and imprudent. The elementary school population is tending to become stabilised at a level of about 1,405,000 pupils in 1970, after which it will tend to grow at a rate somewhat nearer the national population growth rate. The intake in Primary Class I in the present school year will be less than the intake last year. But much still remains to be done to improve the quality of elementary school education.

104. This year, for the first time in many years, untrained pupil teachers will form less than 50 per cent of the total teaching staff in our primary schools: trained teachers will at last form the majority of elementary school teachers. As long as our Party remains in power there will never be a return to the bad old days; on the contrary, the proportion of trained teachers will rise steadily. This increasing number of trained

teachers is also being deployed by a deliberate policy of the Ministry of Education so as to equalise more nearly the chances of children in different parts of the country to pass through the hands of professionally trained teachers in the course of their school career.

105. The reform of the content of primary and middle school education which is the subject of such justifiably intense national interest is still a prime concern of the Ministry. The experiments that were made with the introduction of more technically-oriented training for middle school pupils in continuation classes are being pursued. A great deal of commercial training is being introduced into middle school and secondary school education. The greatest bottleneck for many years to come will continue to be the availability of trained teachers to give such technical and commercial training to an adequate proportion of middle school pupils so as to fit them better for a working career immediately after their schooling.

106. This year, also for the first time in many years, a certain measure of success has been achieved by Government in obtaining a more complete accounting for the large portion of the nation's educational budget that is put out by way of grants to local authorities and educational units. Eventually, it is hoped that the Government will obtain full control over the pattern of educational development and expenditure especially to the extent that this is financed with central government funds.

107. The school textbooks scheme is a matter of special public interest which has presented major difficulties in the past. For the coming school year Government is using the existing machinery whereby text books are distributed by teaching staff and education officers. But the whole scheme is being reconsidered to see whether a more efficient and economical system could not be instituted. During this review the possible contributions of other potential participants in the system of procurement and distribution of school books will be given full consideration. For this year, government has concentrated on trying to ensure that an adequate number of textbooks and other school materials will actually be available in the schools at the time when they open for the next school year next month. This has involved the outlay of N¢4.5 million on the school textbooks scheme during the financial year.

108. It has become necessary to ask the parents of secondary school children to make a slightly higher contribution to the cost of books which are supplied to them. Accordingly, with effect from this coming school year the charge for books in secondary schools will be raised from N¢6 to N¢10 per pupil.

109. At the other end of the educational scale, we are in sight of the completion of a programme of consolidation in the university system of Ghana. The budgetary allocation for the University institutions during 1970–71 shows a very large increase, from N¢9.9 million in 1969–70 to N¢12.8 million. This increase is only in small part due to the expansion which is envisaged in student numbers or in fields of instruction and research. In the academic year starting in September this year the universities are expected to have a total student population of 5,280 as compared to 4,760 in the 1969–70 academic year, an increase of 520. Much of

the increase in the universities' budget reflects the results of an exercise which has been carried out to ascertain more accurately the financial obligations to which the universities have actually committed themselves and to make adequate provision for these in the budget so as to avoid the haphazard emergence of financial crises which plagued university administrations. It is expected that with the high levels of allocation that have been made to them, the universities will be able, in the coming years, and starting from now, to manage their finances more systematically and thereby to avoid the accumulation of arrears and the disruption of programmes.

110. Two years ago Government took a decision that the present method of financing university students should be changed. This is a method that blunts all incentive to the making of extraordinary efforts by students and does not recognise in any way the attainment of intellectual excellence. The long preparation for the implementation of government's decision is now coming to an end and I am able to announce that as from the beginning of the 1971–72 academic year scholarships will only be granted to students of exceptional merit. All other students can either avail themselves of a loan scheme which will be put into operation and which will carry generous terms, or else they can depend upon their families for financing. I should emphasise that this change only relates to the upkeep of the student himself: university tuition will continue to be free.

111. In between the universities and the primary and middle schools Government is concentrating its efforts this year on the expansion of opportunities for secondary and technical education. The secondary form one intake will increase from 10,650 to 11,950 an increase of 1,300, and an additional 1,100 places will also become available for entrance into technical schools. It is our intention to maintain this programme of expansion until a more reasonable balance has been achieved between the size of the middle school population on the one hand and the number of places in secondary schools and the technical and teacher training institutions on the other. This should eventually eliminate one of the worst educational and social problems of the country, which is the production year by year of large numbers of unemployable middle school leavers who at the same time cannot find places in secondary schools. As in other sections of the educational system the crucial factor in the successful implementation of this policy will remain the availability of trained teachers. This gives special significance to the work which is done by the University College of Cape Coast.

112. There are also many improvements to be made in the matter of the physical construction of school buildings. These improvements can be more easily achieved by the application of additional financial resources. It is the objective of the Ministry of Education to achieve better returns for money in terms of the functional and aesthetic quality of the buildings that are put up for the use of secondary schools. To this end the Ministry is pursuing its plan to build up a strong technical unit to deal with the whole problem of the construction of educational buildings.

CHAPTER 4

MONETARY POLICY AND FOREIGN EXCHANGE

Section 1—DOMESTIC CREDIT POLICIES

113. For some years now the Ghana economy has suffered from the paradoxical condition that while the commercial banks have had a considerable amount of liquid resources and interest rates in the organised money market have been relatively low, many sectors of the economy have been largely cut off from access to such organised credit at any price. Our banking system is only slowly attuning itself to doing more of its business with non-expatriate enterprises with whom they do not have long-established connections, with the aspiring Ghanaian businessman who does not have 100 per cent collateral or more, and who has no standing in the established credit ratings of banks. The small-scale industrial sector, in particular the service industries and the rural populations, have had by and large no access to the modernised sector of the country's credit system.

114. These deficiencies of the existing system of banking and credit have been highlighted in our recent attempt to implement the Business Promotion Act. Government has backed up the intentions of that Act with an offer of hard cash and of guarantees of bank credit. As regards the latter, Government's offer came on top of the already existing credit guarantee scheme of the Bank of Ghana. I have to record that not all the financial institutions have been able to modify their mode of operations rapidly enough so as to fit in with Government policy. The established methods of traditional banking are not very well adapted to deal with the fast changing situation that was created by the implementation of the Business Promotion Act.

115. In spite of this, the first stage of the implementation of the Act has been carried out successfully. The Banks have in the event been able to contribute millions of new cedis towards this. What has been even more surprising is the amount of idle money which individual Ghanaians have pulled out in the course of the last month. It is a necessary part of our policy on business promotion that we will have to assist these new Ghanaian businessmen by all reasonable means. Apart from those who already have businesses and those who have acquired businesses from non-Ghanaians, we should expect that the era of renewed national advancement which we are ushering in with this budget should throw up a new generation of businessmen. We should be flexible and adventurous enough in our credit and business promotion policies to be able to assist these businessmen, some of whom will be the tycoons of the future, even if they only come to us with their energy, their imagination and their experience but with no capital of their own. It will be the function of the Office of Business Promotion to chart new paths forward in building up the business class of Ghana of the 1970s.

116. Meanwhile, Government has decided to take the following measures in order to break some of the rigidities in the money market. First, with regard to savings, Government has decided that a national savings campaign should be launched. The Post Office Savings Bank will, with immediate effect, raise the interest which it will pay on deposits from 2½ per cent to 5 per cent. I hope that Ghanaians in every village and town will hasten to their nearest post office to open savings accounts in order to take advantage of these attractive terms. Arrangements are being made for the other banks to join in this savings campaign by offering the sort of terms, and especially the services to customers, which will attract them to save more.

117. Government must also seek means of further enabling the financial institutions to follow such policies as will support more effectively, and especially by way of credits, Government's objectives in the promotion of Ghanaian business. With effect from today the liquidity ratio for commercial banks will be reduced from 50 per cent to 45 per cent. In accordance with the decision of the House last month, the commercial banks are now able to call on a Government guarantee of up to 100.000 new cedis to support any transaction for the acquisition of non-Ghanaian business by an approved client, subject to a limit of 25 per cent on Government's guarantee of each individual credit operation. For purposes other than those connected with the acquisition of non-Ghanaians businesses by Ghanaians, Parliament will be asked to pass a resolution authorising Government to act to similar effect by guaranteeing further business development loans in accordance with conditions to be laid down. Among the changes that we will propose will be one enabling the commercial banks to adjust their lending rates of interest to different grades of customers up to a prescribed maximum limit, in accordance with the credit-standing of the borrowers including the security which they can offer. It is expected that this facility of adjusting their lending rates will be matched by a liberalisation of the volumes of credit which will be given by the banks.

118. When we talk in Ghana about credit for business development we are too prone to limit our thinking to trade, and especially to that section of trade which is connected with the distribution of imported goods or with the export of primary commodities. We should move away from this colonial way of thinking. The trade of this country consists to the greatest part of the distribution of locally produced foodstuffs, household goods, clothing and so on. And most of the final sales of these goods to the consumer are made by small-scale retail operators. We all know how inefficient the distribution of these commodities can be, leading to high prices and to an intolerable degree of wastage of local produce. This is an area of trade to whose improvement we have to pay more attention. But equally important are the fields of agricultural processing, of services and manufactures. In spite of all the money that we know to be in the hands of individual Ghanaians and despite our long tradition of the private ownership of corn-mills all over this country, the recent expansion of rice production has not been matched with a response by our [illegible] to install the necessary milling capacity. Everybody

is waiting for the Government to provide this. None of us can say we are satisfied with the service we receive at Ghanaian-owned motor repair shops. Yet how much help have we given to these enterprises? A small manufacturing boom has been taking place for years especially, in the clothing and plastics industries; how many Ghanaians are participating in it? These are the tasks to which business development policy and the nation's organised credit system should address themselves.

119. So far, as a Government we have relied upon the established banking system in extending our financial support to business for reasons which you can all appreciate. But I can assure the House that Government stands ready, if these measures should fail to stimulate a sufficiently vigorous pace of expansion of the Ghanaian business community, to institute direct schemes of credit assistance to approved businesses outside the traditional banking system. In the meantime, since, in any case this is an area of credit for which the established commercial banks cannot prudently use any major part of their own resources, it has been decided to intervene directly in the credit system in favour of the little woman trading in the market, the man with a corn-mill in the village, bakery and printing enterprises, small vehicle repair enterprises and the like.

Small Business Credit

120. In order to set this scheme off, it has been decided that Government this year should make available N¢1.5 million in cash resources for small business credits. Most of these funds will be administered with the assistance of the commercial banks, but they will be specially meant to finance loans in favour of these hitherto neglected sectors of the economy. This money will be lent at commercial rates of interest but at the risk of Government. Interest rates will be fixed at a scale commensurate with the risks involved. In other words, the spread of lending rates will be allowed to reflect the difference in risks that is attendant upon loans to this sector of the business community. Borrowers will be compelled as a rule to open current business accounts with one of the commercial banks. Arrangements will be made for the reinforcement of the loans-collecting mechanism and rigid rules will be established for the treatment of defaulters.

121. The business support activities of the Office of Business Promotion will be deployed behind enterprises which benefit from these small business loans. Local committees of the small business community will be established to assist the banks and the Office of Business Promotion in identifying reliable borrowers and in enforcing good debtor-behaviour. It is hoped that the Post Office Savings Bank which is being encouraged to collect more savings from the mass of small savers by the offer of more attractive interest rates, will in turn be able to support members of this same social class by investing some money in the small business credit scheme.

122. I have said that it is the wish of the Government to encourage the importation of a sufficient volume of transport equipment in order to break the transport bottleneck in Ghana. There is at present no Hire-Purchase finance company in Ghana, with the financial resources to help

manufacturers or purchasers of locally made or imported goods on a really substantial scale. I have invited the financial institutions to co-operate with Government in working out the means of establishing such an institution. In the meantime, transport has been placed on the list of priority sectors for the liberalisation of imports. It is our hope that potential vehicle operators, backed by the hire-purchase financing arrangements that are now available, will be able to start preparing themselves to assume a major role in this field which will be entirely reserved for Ghanaian businesses as from 1st July, 1971.

123. Government has decided to place resources up to the tune of N₵1.5 million behind Ghanaian manufacturing enterprises which desire export credit financing for the sale of their products in neighbouring African countries. When this scheme comes fully into operation it will enable our businessmen to compete on a more equal footing with foreign businesses in cultivating the markets in West Africa that ought naturally to be available to Ghanaian industry.

Section 2—EXTERNAL DEBT AND THE BALANCE OF PAYMENTS

124. A year ago I requested on behalf of the National Liberation Council Government that Ghana's overseas creditors, who had forced this country to commit itself to an impossible schedule of repayment obligations during two rounds of debt rescheduling talks, should reconsider their position and allow us a more realistic time-table for the repayment of the medium-term debts of the Nkrumah regime. The civilian Government of the Progress Party when it came into office took up this request. You all know the results of our recent negotiations. The creditor countries have offered to Ghana for the financial years 1970–71 and 71–72 relief to the extent of 50 per cent of the debt service obligations that would have been payable under the 1966 and 1968 Agreements. The Government of Ghana has made it known that while it appreciates the relief thus granted, it has strong reservations on a number of essential matters which we hope will be finally resolved at the renewed debt talks scheduled for this time next year.

125. These are, firstly, the absence of a long-term settlement. I have told the House that Government is proceeding to draw up a 5-Year Development Plan covering the period 1970 to 1975. The existence of such a comprehensive programme to guide Government's actions and policies is important in giving a sense of direction to the nation, in organising our priorities and in securing the most economical use of our own resources. It is also of interest to those countries which desire to assist the national reconstruction programme of the Government of Ghana. But the establishment of a National Development Plan is obviously inhibited when there is no long-term settlement of the debt problem.

126. Secondly, the creditor countries have only gone part of the way in agreeing with us that the solution to the debt repayment problem should be based more closely on technical facts and forecasts pertaining to the implementation of a realistic programme for the rehabilitation of the economy. In the recent London negotiations they only went a limited part of the way in considering the essential technical information which

should have formed the basis of their offer of relief. For the further negotiations which are envisaged next year they have agreed with the Government of Ghana to commission a competent neutral party to help in producing the necessary documentation, covering such elements as balance of payments forecasts, and overall national development objectives. It is our fervent hope that this material when produced will be more scrupulously used as the basis of negotiations next year than the data which was supplied to this year's negotiations was used.

127. Thirdly, the creditor countries accepted a 10-year moratorium on the repayment of a part of the debt as one of the three methods open for their choice in granting relief. And they also accepted the principle of debt refinancing as another option. Both a ten-year moratorium and debt refinancing are important elements in the total solution of the debt repayment problem which the Government of Ghana proposed to the conference. But the creditor countries did not adopt the proposal of the Government of Ghana that a 100 per cent relief of the amount of all debt repayment obligations due from Ghana in the next ten years was necessary in order to enable us to reconstruct and to further develop the economy.

128. Fourthly, we proposed that the increase in Ghana's debt repayment obligations which had resulted from the application of moratorium interest charges under the 1966 and 1968 Agreements should be waived. The lack of any accommodation between the positions of the Government of Ghana and of the creditor countries on this matter constitutes the most fundamental divergence of view that emerged in these negotiations.

129. Taking into account the offer of relief of Ghana's medium-term external debt we still have to find a substantial amount of money to pay external debt obligations this year. Among the major external credits to be serviced we count the short-term International Monetary Fund accommodation that was taken by Ghana between 1966 and 1969, the remaining portion of the medium-term debt servicing liabilities, and all amortizations on long-term credits raised by Government—in all, a total of 57.9 million new cedis. This is only counting the amounts that have to be found directly out of budgetary resources and converted into foreign exchange for the repayment of debt obligations. Private enterprise also has to be given foreign exchange to repay loans raised by it for various approved investments.

130. I have heard the suggestion that compared to some developing countries Ghana's debt burden is relatively light. Unfortunately for those who would seek to take this way out of facing squarely up to the problem of Ghana's debts, we have just been presented with fresh evidence from a neutral source, the International Bank for Reconstruction and Development, which shows that Ghana in 1968 had one of the four heaviest debt-service ratios among all the developing countries that are recipients of International Development Association credits and for which data is available. It was against this background that creditor countries met in 1968 and decided to impose moratorium interest charges of up to 6 per

cent in consideration of a very partial and short-term relief from debt repayment obligations. Ghana and the creditor countries have still to sit together and find a solution to this problem which is commensurate with its seriousness.

131. We ourselves in Ghana do not accept these mechanical calculations of debt-service ratios as the final consideration for determining what kind of debt re-arrangements are rational in a given situation. We have held, and continue to hold, that the only debt re-arrangement that can be justified is one that is designed within the perspective of the overall balance of payments position of the country and the needs for its economic reconstruction, within the framework of a long-term strategy aimed at the attainment of self-sustaining and self-reliant national development.

Section 3—Exports and Export Promotion

132. When presenting the 1969–70 budget, and on many occasions since then, I have drawn attention to the extreme importance of increasing exports if eventually the fundamental problem of the Ghana economy, which is that of the balance of payments and its constricting effect on national development, is to be resolved. The measures which I will presently announce will I hope increase competition in the industrial sector. By making raw materials and capital goods more liberally available my intention is to encourage our industries to utilise the available production capacity for export business. I would emphasise that all enterprises in Ghana are entitled to the refund of all indirect taxes whatsoever on that proportion of their production, including taxes on the raw materials used for that production, which goes into export. The administrative mechanism for effecting such refunds has been strengthened. But so far very few applications have been received when considered in relation to the volume of Ghana-made goods which we all know is on sale in the markets of our neighbouring countries. This situation once more illustrates the degree to which the organised manufacturing sector is ignoring the available opportunities for export that are being exploited by the small unofficial operators, including the smugglers. The organised producers also have more means for promoting the further growth of demand for their products than have these small operators.

133. Negotiations are under way to establish trade agreements with all our neighbouring countries, including a negotiating session of the Joint Ghana-Ivory Coast Commission on Co-operation which will soon be held in Accra. These trade agreements will establish new opportunities for export which I hope our manufacturers will diligently seek to exploit.

134. With last year's budget, Ghanaian exporters were offered a rebate on income tax which can go as high as 50 per cent for those firms 25 per cent of whose total production is exported. It has been decided this year to add to these tax incentives a simplification of the administrative difficulties of doing export business. All export transactions will now be centralised at the commercial banks. Exporters will be required to complete an exchange control form at their banks and the banks will now undertake to furnish copies of duly completed forms to the

Bank of Ghana and the Ministry of Trade. No prior export licence will have to be obtained. The Bank of Ghana will continue to ensure that the export proceeds are repatriated to Ghana. The details of the new procedure will be announced soon.

135. The export bonus scheme which Government decided to introduce last year has not yet been put into effect mainly because Ghana's international obligations in the matter of maintaining fixed currency exchange rates, which arise from our membership of the I.M.F., have presented difficulties in the way of reaching agreement on a scheme. I hope that the long drawn-out discussions will now be brought to a close and that our experts will soon produce for us a scheme that meets Government's desire to grant a financial inducement to exporters and at the same time satisfies our obligations towards the I.M.F. I am advised that legislation to give effect to this can be made ready to be introduced into Parliament before the end of this Budget Session. In the meantime, exporting firms should be assured that whatever scheme is introduced will be made retroactive to the 1st of July 1969 so that the efforts which they have made since my appeal last year in achieving increased exports will not go unrewarded.

136. In last year's budget we also offered to pay one-third of all transport costs within Ghana for the movement of all secondary species of timber. Our administrative machinery has not been able to work out a scheme which could be put into effect. I am informed that some progress is now being made. However, this matter is of considerable importance from the point of view of general policy and cannot be allowed to wait on administrative delays. Pending the introduction of the necessary arrangements it has been decided in any case that the transport subsidy will as from this financial year be raised to 100 per cent. In other words, as a means of encouraging the greater local use of these secondary species of wood and also a more active export marketing of such species by Ghanaian timber producers, Government will pay all the transport costs of such species. Claims for refund of transport costs at the former rate of one-third which will have accrued during the 1969–70 financial year following the undertaking given by Government last year will also be met under retroactive provisions when the administrative arrangements are finally put into place.

137. While seeking to develop these new lines of export and to increase our trade with neighbouring African countries, we cannot afford to ignore developments in our traditional export markets. Two current issues concerning these markets call for particular comment. First is the failure to reach agreement on an international scheme for the stabilisation of the cocoa market. The most recent conference which was held on this subject under the auspices of UNCTAD was not even given an ordinary chance of success since one of the most important consuming countries refused to participate fully in the discussions. Whether the cocoa market moves upwards or downwards during the coming season, the commitment of the Government of Ghana to the search for an international cocoa agreement will not be diminished. For those consuming countries

which still resist an agreement or are speculating on another period of depression in the cocoa market, I can only repeat what the Prime Minister said to the members of the cocoa trade in New York last October. A cocoa agreement which created orderly conditions in this industry would benefit both producers and consumers. The interests of these groups should not be sacrificed to the interests of the speculative elements in the international cocoa trade. It is our hope that when the Secretary-General of UNCTAD convenes another cocoa conference the Governments of the consuming countries will come there with an honest determination to find a solution.

138. There is also under discussion within UNCTAD a scheme for granting special tariff preferences to the exports of developing countries. Most observers expect that this scheme will soon go into operation. For us in Ghana the decisions that seem to be emerging threaten to make this scheme one of symbolic interest only to our economic development. What, in effect, we are being told is that if we could export electronic goods, which we cannot now manufacture, then we would get very favourable tariff treatment. But the richer countries will continue to maintain prohibitive tariff barriers against our exports of those commodities, such as cocoa products, plywood and other timber products or aluminium and aluminium fabrications, which we already have the ability to produce. I would call on our friends overseas not to make of this scheme yet another cruel international hoax.

139. Let the representatives here of those countries which have undertaken to aid Ghana's economic reconstruction convey to their Governments this message. If they want to help us eventually to stand on our feet then they should support an international cocoa agreement and they should grant tariff preferences to our exports of cocoa products, of wood products and of aluminium and its products.

Section 4—Bauxite and Petroleum

140. Last year, I announced the intention of Government to participate financially in the development of an alumina industry to fill one of the most important gaps in the structure of our industrial production. We have since then received indications of interest from a number of enterprises in the field of bauxite and aluminium. It has been decided to establish a consortium which would group all those interests that are compatible, under the leadership of the Government, in order to promote the early realisation of an alumina industry and its associated bauxite development on a scale that will be economical and hence internationally competitive. Government will mobilise its share of the capital required for this project. Arrangements will also have to be made for the financing of the necessary infrastructure, especially of new means of transport to carry the very large tonnages that are expected to be involved in the operation of an alumina plant. A special aluminium industry planning unit has been established to promote this project on which we have had such a long period of discussion and for which the time for firm decision-taking has now arrived.

141. Everybody knows of the recent discoveries of off-shore deposits of oil and the hope that this has given that Ghana could develop a petroleum export industry. Government is taking every possible step to ensure that when the commercial feasibility of this industry has been proved, the country will be ready to take immediate advantage of the opportunity. This is an industry full of complications and sometimes of grave problems, but at the same time an industry which if developed on the usual international scale could change radically the balance of payments and general economic prospects of this country.

142. It will of course be our duty to ensure that the benefits that accrue to the national economy from this industry should be fair in the light of current international practice. We do not interpret this to imply any antagonism of interests as between the country and the companies which will exploit these resources. On the contrary, we see that both our interests lie in the most rapid and efficient development of an industry that could yield large material benefits to both sides. The Ministry of Lands and Mineral Resources has extended the most willing assistance to the oil companies and will continue to do so.

143. For the time being we cannot count on oil revenues in dealing with either our balance of payments or our budgetary problems. Indeed even the most expeditious establishment of an oil industry will leave us a period of four to five years during which we must look elsewhere than to oil for the solution of our major economic problems. Therefore, the measures that we propose to take now are all based on the assumption that we have to take care of the requirements of this country without any contribution from oil for some time to come. The development plans that we make, however, have to include all the necessary provisions for the investment and other requirements of the oil industry.

Import Inspection

144. In view of our policy to relax the import licensing system in order to leave the discretion to importers rather than for the government to decide for importers it has been decided to introduce an Import Inspection scheme. All imports into the country in commercial quantities will now be first inspected at the port of shipment for price and quality by accredited agents of the Government before shipment to Ghana. This will ensure that Ghana gets good value for all import payments. Details of the scheme will be announced soon.

145. It will be recalled that the Ghanaian Business (Promotion) Act, 1970 came into effect at the beginning of this month. Consequently many Ghanaians have acquired businesses. In view of this, and also in view of the policy to relax the import licensing system it is anticipated that many Ghanaians will import goods in commercial quantities for the first time. In order to facilitate the operation of the new enterprises it has been decided that any person who wishes to import goods which are on O.G L. in commercial quantities for the first time needs only pay N¢25.0 at any of the commercial banks in order to qualify as importer of goods. The credit slip which is issued in receipt of the N¢25.0 will entitle the person to import any of the O.G.L. goods for the rest of the licensing year.

CHAPTER V

GOVERNMENT FINANCE

Section 1—1969–70 BUDGET

Expenditure

146. The Budget for 1969–70 provided for total recurrent expenditures, excluding external debt servicing, of 302.7 million new cedis as against tax revenue of 375.7 million new cedis. This would have provided 73 million new cedis towards meeting the cost of the development programme, which was fixed at 122.6 million new cedis. In the event taxes out-turned at 360.6 million new cedis and domestic recurrent expenditures at 311 million new cedis leaving a much smaller current account surplus than was budgeted for. The stringency in government's cash position that emerged especially in the first four months of the financial year led to the imposition of severe restrictions on the releases of funds for the implementation of the development programme. Later on in the year the cash position improved markedly and after the entry of the Progress Party into office the rate of expenditure rose sharply. Even so, the development budget was in the event severely under-spent. The final total of 90 million new cedis, even though it marked an improvement of nearly 40 per cent on the 65.4 million new cedis of development expenditure that had been achieved in 1968–69, still represented a short-fall of about 25 per cent on the expenditure target for the year.

Revenue Collection

147. The apparent shortfall of about 15 million new cedis in revenue collection was in reality only a transitory phenomenon. Cocoa shipments were very slow at the commencement of the 1969–70 main crop season and in the first quarter of 1970 they were further impeded by the monumental congestion in Nigerian ports which tied up a lot of the shipping available on this west coast so that the movement of the cocoa crop virtually came to a stand-still. Cocoa revenue collected during the year therefore only came to a total of 112 million new cedis as compared to the budgeted figure of 126.9 million new cedis.

148. The Cocoa Marketing Board also fell disturbingly behind with its tax payments even on the tonnages of cocoa that it was able to ship. The submission of documents in respect of cocoa shipments, as required by the Customs Act, became highly irregular. By the end of the financial year the Cocoa Marketing Board was owing 55 million new cedis on taxes which should have been paid on its own declared shipments. Since the end of the last financial year steps have been taken to clear off some of the earlier arrears and the resultant receipts have been the source of the build-up of Government reserves which I mentioned earlier. But new arrears have also piled up so that as of this moment the Board still owes N¢55.0 million in respect of 1969–70 taxes. In order to prevent the recurrence of such huge arrears in the payment of taxation it has been decided to arrange that taxes on cocoa exports will henceforth be deducted at source. Legislation is being presented to Parliament with this budget to

effect the necessary changes in the regulations governing the collection of export duties. Revenues from excise and local duties also fell sharply behind estimates, with collections totalling N¢29.0 million as against the budgeted figure of N¢40 million.

149. In contrast to these, taxes on income and property showed very healthy trends during the year. Personal income tax yielded N¢26.6 million against an estimate of N¢23.3 million, and company tax yielded N¢35.8 million against the estimate of N¢32.7 million. This is the second year running in which the collection of taxes on incomes has exceeded estimates, the previous year's excess having been around N¢4 million. By contrast, as I have indicated earlier, the collection of minerals duty has suffered from the effects of strikes at the mines.

150. This favourable record in income tax collection has been the result of the attempts that have been made to spread the net of taxation steadily so as to cover more of the potential tax-payers. The Central Revenue Department is being provided with additional staffing and technical resources so that tax collection might be further improved. In the coming year, despite the exclusion of non-Ghanaians from certain reserved fields of economic activity under the Business Promotion Act, the yield from income tax is expected to show a further increase. This is because the non-Ghanaian businesses which have been thus excluded only accounted for a little over N¢3 million out of the total of N¢62 million which were collected in personal and company income taxes in the past financial year.

151. The responsibility for the registration of traders was transferred last year from the Customs authorities to the Central Revenue Department, thus enabling the latter to exercise more fully the powers which are given to it under our laws to levy taxes on self-employed persons. As Ghanaians take over more of the trading and other small-scale business in Ghana they will be expected to co-operate with the tax authorities even more closely than the non-Ghanaians whom in some cases they are replacing, by paying up diligently on their tax liabilities, in fulfilment of their duties as citizens and as their contribution to national reconstruction.

External Aid

152. The contribution of foreign aid to the 1969–70 budget, which had been estimated at N¢55 million, fell seriously behind target, the final out-turn being approximately N¢39 million. Besides, the N¢12 million worth of debt relief which was requested from the creditor countries by the National Liberation Council Government as their contribution towards the 1969–70 budget did not materialise. As I have said, it is only during the last month that relief has been offered and this relief covers the financial years, 1970–71 and 1971–72.

Overall Budget Results

153. The yield of Social Security in 1969–70 was almost exactly as budgeted for, at a little under N¢17 million, while domestic borrowing from non-bank sources was only marginally lower than was budgeted for.

The cash resources from taxes and from capital receipts, despite the fact that both domestic and external sources of financing suffered from the severe shortfalls which I have enumerated, in the end exceeded the total of domestic expenditures on current and capital account by 25.2 million new cedis. Against this, payments of external debt totalled 32.5 million new cedis, leaving the year's budgetary operations with an overall deficit of 7.3 million new cedis.

154. Considering the disruption in cocoa export revenues and the disappointing performance of foreign aid, this was on the whole a satisfactory out-come for the year's budgetary operations. It has been anticipated that deficit financing to a net total of N₵10 million would be required, and as you recall, Parliament had authorised the raising of treasury bills to that amount.

Section 2—1970–71 BUDGET

Revenue Prospects

155. At the existing rates of taxes the ordinary revenues of the Government will total 373.3 million new cedis in this financial year 1970–71. Compared with the 360.6 million new cedis worth of taxes that were collected in 1969–70 this shows an increase in revenues of 12.7 million new cedis.

156. The world cocoa market has within the past few weeks recovered from the excessively depressed conditions in which it had been during so much of the first half of 1970. The present indications are that this modest improvement could be maintained during the balance of the 1970–71 financial year. That forecast is based on the moderate size of the Latin American crop that has already been gathered and the expectation that producing countries in West Africa will not harvest any bigger crops than last year. The balance between current supply and consumption as I said earlier, is expected to be reasonably favourable. It is especially to be noted that producing countries have taken steps to concert more closely their policies on the world market and therefore should be able to prevent some of the more severe movements of the markets against them. Even so, the budget is not expected to benefit as much from cocoa duties in 1970–71 as it did in 1969–70. Cocoa duty collection is expected to fall to a little under N₵115 million.

Profits of Government Enterprises

157. Government's business enterprises have for many years been regarded as falling into two categories; those which were making profits as a matter of course and those which did not seem to be making any efforts and which seemed unlikely ever to make any profits. We have come to take for granted the fact that in the last three years the Ghana Commercial Bank and the Bank of Ghana have between them paid dividends of N₵25.2 million as their contribution towards the budget. The two banks will contribute towards the 1970–71 budget another N₵5.5 million. The Ghana National Trading Corporation is expected

to make a contribution of N₵500,000 this year. There is every prospect that, once they have settled down, the Water and Sewerage Corporation and the Electricity Corporation will become net contributors to the public purse.

158. Even the huge infrastructural investment in the Akosombo dam yielded an income surplus of N₵1,554,636 in 1969. With this surplus the Authority has cleared all its accumulated deficits of previous years, and made an overall accumulated surplus of N₵572,182. The Authority now expects to earn more than its mandatory 8 per cent return on Government investment in 1972, two years ahead of schedule.

159. The problem has been to foresee the time in the reasonable near future when those enterprises which seemed like chronic loss-makers would make the change from loss to profit. This year we have achieved a significant success. The 17 industrial enterprises which are grouped together in the Ghana Industrial Holding Corporation have been able to pay a first joint dividend of N₵1 million to the Government. There are of course some of these enterprises which have all along achieved surpluses on their operations and should have been paying dividends. And Government's revenues are substantially diminished by the tax concessions that have been given to some of these enterprises. On the Distilleries Division alone the tax revenue that is foregone in a full year through the application of the special concessions granted to it amounts to N₵805,500. Nevertheless, it is significant that as a group the government-owned industrial enterprises are now set on a course where they can be expected to be an increasingly useful source of revenue.

160. We now await a corresponding transformation in such major public business enterprises as the State Farms Corporation, the Black Star Line and the Ghana Airways Corporation. And government has decided that no new corporations will be established unless we are satisfied that adequate preparations have been made for their business-like, and hence profitable, operation.

Expenditure Proposals

161. The amounts that are being requested by Government for domestic recurrent expenditures as shown in the estimates submitted to the House, call for very modest increases in Government consumption and internal debt servicing charges. When set against the foregoing forecast of revenues this would leave us with a current account surplus of only 48.9 million new cedis to contribute towards the sharply increased level of development expenditure totalling N₵137.5 million which, with the support of the nation, the Government is budgeting for. The internal cash deficit on this reckoning would amount to 88.6 million new cedis (Table 2).

Capital Receipts and Debt Servicing

162. Against this should be set expected capital receipts of 80 million new cedis, including an estimate that 50 million new cedis in foreign aid would accrue from the present pipe-line of agreements and promises

from friendly countries. The overall deficit on the internal budgetary operations would on this arithmetic stand at 8.6 million new cedis. Added to this, the budget has to provide 57.9 million new cedis to meet external debt servicing obligations. These include 15.5 million new cedis, which is the balance of debt servicing obligations remaining to be paid on medium-term debts this year after the relief recently granted, and amortization of 12.5 million new cedis on long-term loans.

163. A particularly heavy obligation on this year's budget arises from our past transactions with the International Monetary Fund. As you know, the International Monetary Fund in the period immediately after the *coup* extended loans to a total value of N₵53.2 million new cedis in order to enable the country to maintain a semblance of external equilibrium. These loans, however, in accordance with the statutes of International Monetary Fund are short-term loans, even though they are contracted at much lower interest charges and are provided in the form of freely usable foreign exchange. Still, even as compared with the expensive tied contractor credits which had been so imprudently used by the previous regime, these International Monetary Fund loans have a very short repayment period—in principle three years, with a possibility of re-arrangements up to five years. During the term of office of the Progress Party Government therefore we will have to find quite large sums of money, both budgetary funds and the foreign exchange to back them up, to repay the International Monetary Fund loans that were provided in order to keep this country afloat during the period of office of the National Liberation Council.

164. These International Monetary Fund Loans, unlike the contractor credits which we have recently been talking about in London, are also not subject to re-negotiation. Besides, the line of credit that is now open to Ghana at the International Monetary Fund, after these heavy drawings in recent years, is almost depleted and the small sums now available can only be mobilised under the most stringent pre-conditions.

165. This year's budget has to provide 24.5 million new cedis for repurchases of past loans from the International Monetary Fund, and also 4.5 million new cedis as Ghana's subscription towards the quota increases arising from the new system of Special Drawing Rights. This latter payment has the effect of increasing our foreign exchange reserves. But the combined effect of all these transactions on the budget amounts nevertheless to a very heavy obligation.

Revenue Proposals

166. The over-all budgetary deficit of 66.5 million new cedis which we would face with our present revenue resources has to be covered by a mixture of internal measures and additional external support the nature of which I will now proceed to outline.

(i) *Contribution from Reserves*

167. It is planned to apply 15 million new cedis out of the arrears of cocoa tax which the Cocoa Marketing Board is expected to pay before the beginning of the main crop season to meet part of the budgetary deficit.

(ii) *Domestic Bank Borrowing*

168. It is also deemed prudent to raise from the banking system a net amount of 12 million new cedis during the year. At this level of lending to government the banking system should be able to extend to the private sector also the volume of credit which is required to induce that sector to make its due contribution towards the over-all growth targets of the 1970–71 Annual Plan without generating excessive inflationary pressures.

New Sources of Revenue: General Considerations

169. It is necessary to look for additional sources of internal revenue to cover the balance of the 66.5 million new cedis of deficit. In looking for sources of revenue, however, it is also necessary to institute measures which will have the most favourable economic effects and in particular will reinforce the over-all expansionary policy of the 1970–71 Annual Plan.

170. First of all, there are a number of adjustments that have to be made in order to remove distortions in the economy, especially distortions in the foreign exchange sector and in those parts of the domestic economy that rely upon foreign goods. The Ghanaian consumer has had to pay very heavily for the monopolistic positions that have been created for certain public and private entities through the operation of the administrative control over imports.

171. The Progress Party promised to dismantle these controls as rapidly as possible so as to help rationalise the economy. We must take every opportunity to carry out this undertaking. I am confident that the measures which I will announce today will exert a powerful influence in bringing down the cost of living which bears so hard on all of us.

172. Import duties which used to provide a much larger and a more stable source of budgetary revenue than cocoa duties has recently tended to fall behind, even in absolute terms as a source of budgetary revenue. In 1965 Government was able to collect 107 million new cedis on import duties. In the past financial year the yield of this tax was just around 70 million new cedis: in other words, as much as one-third less than five years ago.

173. It is well known that the structure of Ghana's imports has shifted away from consumer goods, on which rather higher rates of duty are levied, and towards capital goods and raw materials on which lower or concessionary rates of duty are generally levied. The level of industrial expansion which it is desired to bring about in 1970–71 cannot take place without some increase in imports of the raw materials upon which, as I said before, Ghanaian industry is so heavily dependent. At the same time the administrative control on imports of raw materials in the past introduced undoubted distortions in the allocation of this expenditure on foreign raw materials as between different users. The conclusion is that we need to allow more of these imports into Ghana and to raise more revenue from our imports, while at the same time allowing the market mechanism greater scope to operate so as to achieve a greater degree of economic rationalisation.

174. Secondly, the budgetary measures have to provide adequate means of safeguarding the balance of payments which, as I have said, will remain one of the weakest points of the economy in our attempts to achieve higher levels of growth and development. All estimates indicate that the gap between resources and requirements of foreign exchange is liable to get completely out of hand unless methods are devised to contain within manageable limits the upsurge of demand for imports that will undoubtedly occur when the importer's freedom of action is restored to him.

175. Under our generously drafted legislation, and in particular through the operation of the Capital Investment Act, many industries which use our very scarce foreign exchange resources for the importation of raw materials and capital goods pay very little in taxes for this privilege. There are a large number of these industries whose so-called "raw materials" are in fact the highly finished products of other industries which they transform locally in very simple ways or which sometimes they only mix and bottle in Ghana. There is little reason for continuing such exceptionally favourable treatment to these industries which add very little to domestic economic activity. Excessively low duties on imported raw materials are also not exactly calculated to encourage these industrialists to develop or to patronise local sources of such raw materials.

(iii) *Import Duties*

176. It is proposed to make a number of adjustments in import duties, many of them designed to make these taxes more equitable and also more meaningful in terms of foreign exchange control. For instance, textiles import duties have hitherto been levied at a rate of forty-two new pesewas per square yard or seventy-five per cent whichever was higher. Recently, when the officially recorded imports of textile have been limited almost entirely to the cheaper varieties of cloth, in particular those that go into the clothing manufacturing industries, it has been found that the specific rate of duty bears very heavily on the cost of these textiles. It is therefore proposed that the duty on textiles be changed to a uniform *ad valorem* basis so that imported textiles are levied to duty in proportion to their prices, which means also that the more foreign exchange is spent on such imports the more duty is collected. Similar adjustments are proposed in the basic import duties on clothing and the rates of duty on different grades of imported meat and fish should also be aligned so that for instance, fresh fish and dried fish (*kako*) will now pay the same duty per pound.

177. It has also been decided that, with a few exceptions, manufacturers' imports of raw materials should now attract the ordinary rate of duty in place of the concessionary rates which have been in operation since 1966. This is partly designed to conserve foreign exchange. But you also know the trouble we have had in policing the disposal of commodities like textiles some of which were imported by manufacturers at a concessionary rate of 10 per cent while similar goods were being imported for sale to the market at rates of duty of 75 per cent and above. Henceforth manufacturers will pay duty at the ordinary rate on most of their imports.

After all, the consumer who is the object of our primary concern is equally served whether he takes his textiles in the form of cloth which he wears African style, or in the form of cloth which he has made into a shirt by a small tailor or in the form of cloth which has been made into a shirt in a factory. There is no logic in charging higher duties for the first two uses of cloth than for the third use of cloth by the same consumer.

(iv) *Temporary Import Surcharge*

178. The most extensive changes in taxation that are proposed are not in the basic import duties but in the temporary surcharges on imports which it has been decided to introduce in conjunction with a far-reaching liberalisation of the import trade. The logic for these changes is immediately obvious. While administrative licensing and control has been in force, the importers of consumer goods, raw material and capital goods have been the privileged class, enjoying monopolistic or at least oligopolistic situations especially in the market for imported consumer goods. The distributor's margin on imported goods has crept up steadily till, item for item, many goods in Ghanaian shops now cost a multiple of times of the price of similar goods elsewhere.

179. Last March when government decided to introduce measures of liberalisation in respect of certain essential commodities, we acted against a similar background. Liberalisation then increased competition, and in a short time the prices of the commodities concerned had fallen drastically, in some cases below their controlled prices. The increased imports, of course, had to be paid for and a strategy of import liberalisation to bring down consumer prices will always run the risk of a balance of payments dislocation. But it can achieve a reduction in the cost of living and in other prices. Our policy is to pursue the latter objective at the calculated risk to the balance of payments.

180. It has been decided to restore the freedom of Ghanaian businessmen and individuals to import a wide veriety of goods without administrative licensing control. These items include meat, second-hand clothing, textiles, footwear, clothing, soaps and detergents and books among consumer goods. They include the raw materials of the pharmaceutical, plastic, furniture, metal working and leather working industries. They include most classes of machinery and essential building materials.

181. To safeguard the balance of payments and to protect domestic industry, various rates of import surcharge are being proposed at the time of the granting of these import concessions. The level of surcharge has in every case been fixed so that it can be reasonably expected that the price of the article to the eventual consumer will come down after implementation of these measures of liberalisation. What we have done is to divert into the government's revenues a portion of the monopolistic profits that are now enjoyed by those importers who are fortunate enough to obtain import licences, and to wipe out the remainder of these profits by bringing to bear on them the force of market competition through the restoration of the freedom of Ghanaians to import these items.

182. Some of these monopolistic profits have also been earned by those who were able to bring into the country through smuggling items whose importation was severely restricted or even entirely prohibited. The more severe has been the control on imports the higher has been the level of profits earned by the legitimate importers who obtain licences and by the smugglers. To take some extreme examples, smuggled wax prints have been selling in Ghana at prices ranging between 200 and 300 per cent above their c.i.f. prices. An import surcharge of 75 per cent is proposed for textile imports, which should also then be liberalised. If competitive forces operate as we expect, then the prices of textiles should at last begin to come down in Ghana, smuggling will be checked, and at the same time, the Government's budget will gain by the extent of this surcharge. Thus as I said,we are going to allow the Ghanaian consumer this year to import without restriction of administrative controls shoes and clothing, plastic goods, meat, textiles and toiletries.

183. The main objective of import liberalisation, however, is not so much to give the consumer greater freedom of choice and to bring down the market prices of imported goods, as to give a freer hand to local manufacturing industry to make its own choices with regard to production and investment to the extent that these involve imported goods—as indeed they almost always do. I have singled out the transport sector earlier on. Commercial vehicles and knocked down parts for assembling such vehicles will be allowed into the country freely as from to day, in return for the payment of surcharge which will run at 25 per cent for the majority of such vehicles. Heavier vehicles and power equipment will also be put on O.G.L. at a surcharge of 40 per cent.

184. Most industrial machinery will now be allowed into Ghana freely upon the payment of the appropriate surcharge. You know that before now, we have attempted to exercise through the administrative machinery of Government and as a substitute for the decisions of businessmen, our own judgements as to which investment proposals to support or not to support by way of the grant of the foreign exchange required for the importation of the necessary equipment. This system has led to many problems. The bureaucratic machinery of Government simply does not have the technical information, the commercial knowledge or the management sense to substitute its own preferences for the decisions of a host of individual industrialists and investors, based on their assessment of market opportunities, without causing much dislocation and economic waste.

185. Among the least defensible results of the previous system is that some manufacturers have obtained licences for the importation of capital equipment, as a result of a speculative or precautionary application put in by them, have then proceeded to purchase such equipment and to keep it idle pending the time that it might be needed. Such behaviour makes sense from their point of view in a situation where trade policies are liable to fluctuate in a random manner which is unrelated to the evolution of the market opportunities that the individual businessman faces. Now it has been decided to liberalise the importation of capital

goods in return for the payment of a temporary surcharge, generally at a level of about 40 per cent, and to leave to the decision of the individual businessman the moment when it is most expedient and profitable for him to import various pieces of equipment.

186. These measures of liberalisation, as they are accompanied by the levying of temporary import surcharges, should ordinarily not lead to an upsurge of demand for imports beyond what can be contained after an initial splash. In Ghana however, we are faced with a situation where there is a very large backlog of demand for imported goods of all sorts. Consequently, in the first year after liberalisation we run the risk of an upsurge in imports which we might not be able to contain. In our recent discussions with the countries which have undertaken to aid the economic reconstruction of Ghana, the balance of payments problem, arising in particular from such possible measures of liberalisation, was recognised to be one of the most important obstacles towards whose removal additional external aid should be applied. In introducing these measures of import liberalisation, we are assuming that the donor countries which are grouped in the World Bank's Consultative Group for Ghana will be able to put up, in terms of actual transfers, additional loans of a minimum amount of 40 million new cedis as balance of payment support given to Ghana in the form of long term loans. We will be meeting these countries again soon. I hope that they will endorse the policy measures which we have taken and will support them with the long-term foreign exchange loans which we have mutually recognised to be necessary.

187. At the same time, it is only prudent that we should provide against the possibility that these foreign countries might fail us. The legislation now before the house therefore provides that the Government may by notice in the *Gazette* vary these rates of surcharge in such a way as to further protect the economy. I hope the House can agree that should a situation arise where the balance of payments is unduly jeopardised by our measures of liberalisation the Government might change the rates of import surcharge in order to protect our external reserves rather than return to the days of rigid administrative control over private business decisions.

188. We have chosen the technique of temporary import surcharges rather than changes in the basic duties because we sincerely believe that these imports will no longer be necessary in a few years, we hope before the end of our first term in office as the Progress Party Government. This period is needed to accomplish three principal tasks. First, to promote exports of goods which we can now produce such as textiles, shoes and clothing, household goods, building materials and wood products in particular to other African countries. Secondly, to develop new major export lines, of which as I have said, bauxite, alumina and petroleum are at present the most hopeful prospects. Thirdly, to bring the country's demand for imports down to more supportable levels by increasing the local production of some of those goods which we now needlessly import. I confidently look forward to the day, in the not too distant future, when I can come before this House and propose the abolition of these surcharges.

189. We are assuming that the importation of goods in 1970–71 under specific licences and under O.G.L. will be no greater than the volume that can be expected at the initial stages of the introduction of such extensive liberalisation. In that case I expect that the joint efforts of the aid-giving countries and of Ghana in the operation of the power given to the Government to vary the levels of import duty surcharge, should be enough to surmount the temporary difficulties that will undoubtedly emerge.

(v) *Exporters and the Temporary Surcharge*

190. I have already mentioned to you the decision to grant to Ghanaian exporters a certain amount of credit to support their trade. This year, as I have said, Government will put into an export credit scheme cash resources amounting to 1.5 million new cedis. We hope that the Banks will also put in a generous contribution. Ghanaian exporters are of course not subject to any of the above-mentioned tax changes whether by way of increases in basic duties oi in import surcharge. They are entitled to obtain refund in full of the payments which they have made in respect of any raw materials which have been subjected to the above charges but which have been subsequently used in filling export orders. They are entitled to withdraw imported raw materials from bond to meet export orders for which they hold the necessary documents without paying these duties in the first place. It is my hope that with the increases in the direct incentives to exporters by way of tax rebates and foreign exchange bonus last year, with the institution of an export credit scheme this year, with the removal of the bureaucratic hindrances to the individual manufacturer's decision to import the raw materials or machinery that is required for his business, and with no import duties to pay as far as export business is concerned, Ghanaian manufacturers will be able to mount a vigorous export development programme.

(vi) *Motor Vehicle Licences*

191. Government is asking Parliament to reduce the fee for motor vehicle on commercial vehicles (popularly called quarter licences) by 50 per cent. Private cars will continue to pay the licence fee at the present rates. It is the hope of Government that these reductions will be passed on by passenger trucks, "tro-tro" and taxi drivers to their customers.

(vii) *Excise Duties*

192. As locally manufactured goods come progressively to replace imported goods in supplying the needs of the Ghanaian consumer, Government will have to rely increasingly upon taxes on such locally

produced goods to finance its operations. The principle is well established that in operating a combination of excise and import duties Government will allow a reasonable margin in order to protect domestic manufacturers to the extent this may be economically justified. This year it is proposed to levy excise duties at the rate of 10 per cent on locally manufactured clothing, biscuits and confectionery, radios and radiograms, record players and changers and tape recorders and at a rate 15 per cent on locally assembled television sets.

193. The beer drinking public will be asked to make a small contribution of approximately two new pesewas on each bottle of beer which they drink henceforth, as their contribution to the national effort.

(viii) *Income Tax*

194. Government has received many suggestions for changes in the taxation of personal and company incomes. As you know, the Tax Review Commission which was established in 1969 to review the whole system of taxation in Ghana has had to be reconstituted since the coming into office of our Government. It has already done a lot of work and from what I have seen of it we should be able, next year to introduce on the basis of its recommendations a comprehensive programme of tax reform designed to make the basic system less painful and more equitable to the taxpayer, more fruitful in terms of the collection of taxes for carrying out public purposes, and more efficient as a tool for stimulating economic development. I will not propose any changes in the field of company or personal income tax in this budget in anticipation of the recommendations of the Tax Review Commission.

195. There is only one adjustment that has to be made. Hitherto small-scale Ghanaian businesses which have enjoyed the special tax rebate that were introduced in 1967 to encourage them, have found that upon reaching the level of N₵20,000 in their profitable income they suddenly became subject to a sharp increase in their tax liabilities. A graduated system of income tax is accordingly being proposed for such companies.

(ix) *Second-hand cars*

196. It is necessary to change the method of assessing import duties on second-hand vehicles in order to check the blatant racket that has developed in this area. Henceforth second-hand vehicles will be taxed in accordance with their age as from their first registration, and based on a series of percentage rebates from fixed initial prices. A car that was bought four years ago will now pay duty on a value which will be assumed to be equal to 50 per cent of the purchase price of a new car of that description in the country of origin as at the first of July, 1966. Similarly adjustments will be made in order to arrive at the dutiable values of all vehicles between 6 months old and 5 years old. Vehicles that are more than 5 years old will pay duty on a value that will be assumed to be equal to 40 per cent of the initial purchase price. This means that all the

bogus invoices that have been presented for customs purposes by so many importers of second-hand cars will no longer be of any effect whatsoever.

Special Development Levies

197. For certain basic commodities it is necessary to find means of making these freely available to the population and hence reasonably inexpensive, if necessary by allowing imports liberally, but without thereby blocking the chances of developing local production where it is known that this can be done economically. At the present time, the three most important commodities that fall into this category are rice, sugar, and cement. The measures that we introduced in March to liberalise the importation of rice and sugar have already had the effect of making these commodities available to the consumer at moderate prices. The domestic rice production industry is now in its infancy and needs vigorous support in the form of farm implements and machinery, fertilizers, storage and transport and milling equipment. Government has offered a support price of N¢8 per bag of 180 lb. of paddy rice to rice growers and should be prepared financially to honour this support price in spite of the availability of cheaper or better imported rice. By this combination of means it is hoped to achieve a domestic rice production capacity at internationally competitive prices which will eventually make unnecessary the continued importation of rice.

198. Similarly, our infant sugar industry will need for many years heavy infusions of capital and will take a long time to come anywhere near world levels in its production costs. At the present time the sugar factory at Asutsuare is producing sugar at about N¢29 a bag or N¢359 per ton whereas the prevailing world market price which is reflected in present domestic market prices in Ghana, and at which the Corporation has to sell, is only N¢117 per ton. In this case we are advised that the chances of reaching internationally competitive levels of production costs are remote because of basic mistakes which have already been made in the planning and execution of the projects. However, domestic consumption of sugar is bound to grow rapidly in the coming years and in the absence of local productive capacity, this could turn out to be another indefinite and major drain on foreign exchange resources for importation of a food item which could be produced locally. Consequently, government decided in 1968 upon advice to institute a system whereby the sugar that has to be imported into Ghana for the time being will be made to support the development of the local sugar industry until this becomes established on a viable scale.

199. The cost of cement plays a critical role in building costs which, as we all know, are extremely high in Ghana. The existing cement industry only consists of the grinding of imported clinker with imported machinery and under a foreign management, into the form of cement. The price of the cement that is available from the local industry is high compared to world market prices. It is considered preferable in terms of overall policy to give Ghanaian builders freer access to cement at competitive world market prices and thereby to help keep building costs

down, and meanwhile to take other measures to support the local cement industry, than to continue the present policy of rigidly excluding imported cement in favour of an uncompetitive local industry.

200. For the foregoing reasons, it has been decided to impose a special development levy at a rate of one new pesewa per pound each on imported rice and sugar, which are already on Open General Licence, and at a rate of 40 per cent *ad valorem* of the c.i.f. price on cement which will henceforth be placed on Open General Licence. The levy on rice will, as I said, enable Government to meet the investment and price support needs of Ghanaian rice growers. The levy on sugar will be paid over into a fund which will be administered by a Sugar Development Board to be set up shortly. Arrangements will be made to give to the cement industry a reasonable amount of assistance, through means to be discussed, but other than the exclusion of competing imports, in order to enable it to survive.

FINAL BUDGET ESTIMATES—1970–71

201. The tax proposals which I have outlined will yield total additional revenues of N¢55.4 million. This will be made up of N¢7.6 million on import duties, N¢43.3 million on temporary import surcharges and N¢4.5 million on the special development levy and other items. Together with the taxes that were estimated to be receivable under legislation in force before today our ordinary revenue for 1970–71 is now estimated at N¢426.7 million.

202. With these additions to resources, the budgetary operations for the year are predicted to show a surplus. We have budgeted for a surplus in order, as I said, to be sure that relying upon our own resources, we can meet the programme which we have set before ourselves without making the budget even more dependent upon foreign aid than it is already.

203. However, the programme we have outlined will involve substantial pressures on the balance of payments. It is towards dealing with these pressures that we are asking friendly countries to make a contribution. We require balance of payments support in readily usable form starting immediately in order to be able to sustain this programme of economic reform and expansion. We are estimating that with N¢40 million of additional balance of payments support in the form of long-term loans plus the usual seasonal accommodations through the banking system, we should be able to carry through the programme of the Government which I have presented today.

204. I will not promise to the people of Ghana that we are out of the woods as far as domestic efforts are concerned. I would like to reserve entirely the right of the government to come before the House and to ask for whatever additional sacrifices are required. We believe in the essential rightness for these times of the policy of rapid expansion in government development expenditures and of greater liberalisation in external trade which we have proposed. When we have faced together the risk and the difficulties and come through successfully, I am sure we will all be able to look back and say that we took brave decisions and have been rewarded as brave people deserve to be rewarded.

TABLE 3

GOVERNMENT FINANCE

1969–70 *Provisional Actuals* N¢ *Million*				1970–71 *Estimates* N¢ *Million*
	360.6	1. Ordinary Revenue at Existing Rates	373.3	
		2. *Less* Reduction in Commercial Motor licences ..	2.0	371.3
		3. *Add* Revenue from new Taxation		55.4
				426.7
280.0		4. Recurrent Expenditure, excluding Debt Servicing ..		290.4
31.0		5. Internal Debt Servicing		34.0
	311.0			324.4
	+49.6	6. Balance on Current Account		+102.3
	90.0	7. Development Expenditure		137.5
	–40.4	8. Cash Deficit		–35.2
		9. Capital Receipts		
39.0		(i) Foreign Aid Sources	50.0	
		(ii) Contribution from Reserves	15.0	
17.0		(iii) Social Security	20.0	
		(iv) Bank Borrowing	12.0	
		(v) Non-Bank Borrowing	10.0	
9.6		(vi) Premium Bonds	5.0	
	65.6			112.0
	+25.2	10. Overall Surplus (–Deficit) on year's operations ..		+76.8
	32.5	11. External Debt Servicing		
		(i) Rescheduled Overseas Debts	16.1	
		(ii) Rescheduled Overseas Debts—local payments ..	—	
		(iii) Non-Rescheduled Overseas Debts	12.5	
		(iv) I.M.F. Repurchases	24.5	
		(v) I.M.F. Quota Increase	4.5	
		(vi) Miscellaneous	0.3	
				57.9
				+18.9
	–7.3	12. Overall Surplus (–Deficit)		
		13. New External Aid required for balance of payments support		40.0

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9. External Debt Service	27.0	43.4	32.5	57.9
10. Overall Surplus (Deficit)	–73.3	–2.3	–7.3	–66.6