Republic of Ghana

THE BUDGET STATEMENT

AND

ECONOMIC POLICY

of the

GOVERNMENT OF GHANA

Presented to Parliament

On Thursday, 21st February 2002

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On the Authority of

HIS EXCELLENCY PRESDIDENT J. A. KUFUOR

President of the Republic of Ghana

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SECTION ONE: INTRODUCTION - AN OVERVIEW OF ECONOMIC POLICY AND BUDGET – FISCAL YEAR 2002

Mr. Speaker,

1. 1. It is a great personal honour for me to present to this House on behalf of His Excellency, President John Agyekum Kufuor, the second statement of the Economic Policies and Budget of the NPP government – the government of Positive Change. President Agyekum Kufuor and the new NPP government came into office in January 2001, right in the middle of a budget-making cycle that had begun under the previous administration.

2. 2. Although the 2001 budget, as was then reshaped and presented in March last year, was formally the first statement of the NPP government's economic policies and programmes, this budget for the Fiscal Year 2002 represents the first full year of implementation of President Kufuor's own agenda of economic and social development for Ghana.

3. 3. This budget is founded on his conviction that by improving the management of the nation's economic affairs, and mobilizing its potential resources more intensively, it is possible to propel Ghana into a new trajectory of rapid national development. It is only by growing our economy at rates eventually running close to double digits that our people can expect within the period of a decade, to enjoy the standards of living and the social benefits of a substantially transformed and modernized economy as envisaged by President Kufuor and the NPP government.

Mr. Speaker,

4. 4. Raising the typical small-scale farmer's productivity and supporting his efforts with enhanced facilities - credit, marketing, storage and processing of his produce - these constitute the core of the NPP strategy for breaking out of the cycle of poverty and acute deprivation which affects so many of our poorest people.

5. 5. This thrust towards the enhancement of agricultural productivity and rural incomes should be supplemented with the strengthening of the capacity of small and medium-scale Ghanaian entrepreneurs to contribute to national development.

Mr. Speaker,

6. 6. This 2002 budget also represents the first year of the implementation of the Ghana Poverty Reduction Strategy (GPRS). This is a special aspect of our general development strategy to which the government attaches the utmost importance. It aims to apply the increasing wealth of the nation, which we hope to create by transforming the structure of the economy and achieving higher rates of economic growth, towards an accelerated programme for the particular benefit of the poorest Ghanaians among whom, ironically, the food farmers who feed the rest of us figure all too prominently

7. 7. The NPP government believes that it is possible within these four years to substantially reduce mass poverty and enhance family protection among the most vulnerable and socially marginalized of our fellow citizens. And this should be done within a decentralized democratic environment, putting the people in charge of their own emancipation and development.

8. 8. The GPRS accordingly identifies a comprehensive set of policies to support economic growth over the three year period (2002-2004) in a pattern that at the same time, and by conscious design, will reduce the worst manifestations of poverty by empowering the disadvantaged in our society. Ghana's GPRS is informed by the conviction of the government of President John Agyekum Kufuor that provided the economy of Ghana is managed effectively it will be able to create ample wealth for the benefit of all Ghanaians.

9. 9. The measures which were taken in FY2001 were aimed at and have succeeded in stabilizing the economy, and thereby improving the business environment In particular they aimed to kill the inflation psychology, reduce fears of exchange risk, and bring back the confidence of investors, both Ghanaian and foreign. They were the necessary first steps towards accelerated growth. In FY 2002, and indeed for the rest of its term in office, the NPP government will

studiously guard and even enhance these gains in economic stability while pursuing its forward agenda of national development and growth.

10. 10. That commitment towards a stable business environment forms the back-ground to the rather cautious stance on fiscal and monetary policy which is set out in this budget, and the relatively modest 4.5 per cent growth rate associated with them. Those projections are the only ones that are consistent with the volume of investment and other development resources which are firmly committed and are at the disposal of government at the present time.

11. 11. But let me serve notice straightaway that in the course of this year the government's machinery of economic management will be vigorously deployed to mobilize additional resources, wherever they may be found, so that the ambit of our development initiatives can be greatly enlarged. This includes, in particular, seeking more resources to finance activities that empower the most deprived sections of our society to lift themselves up by their self-propulsion towards higher levels of productivity.

12. 12. This FY 2002 budget seeks to fulfil the manifesto commitment made by the NPP to link the national development agenda in close detail with the government's own annual budgets in order to ensure that we in fact realize our priorities and objectives as a nation.

13. 13. The repeated lesson of Ghana's economic history is that many bold initiatives that have previously been launched towards accelerated national development have met fatal setbacks due to a weak sense of ownership among the partners to the enterprise, including workers, public servants and private entrepreneurs, unrealistic implementation strategies, and inadequate financing.

14. 14. The package of policies, programmes and budgetary proposals which President Kufuor's government is presenting to the nation today is another example of positive change, this time by ensuring that government expenditures are closely guided by planned priorities of economic and social development, in place of the traditional routines of Ghana's public services.

15. 15. In his State of the Nation address to this House on January 31, 2002, President Kufuor informed you of the areas of priority action that will be pursued. Among others, the macro-economic stability which has been achieved by the forbearance and sacrifices of Ghanaians during the last year should now be buttressed by strengthening the backbone and the sinews of economic growth.

16. 16. Among other priorities, this should be done through building an infrastructure capable of sustaining greatly increased levels of production of goods and services. If FY 2001 was the year of economic sanitisation and stabilization, 2002 should be the year of action and forward movement.

17. 17. The "Golden Age of Business" is not meant to be just another slogan in the political lexicon of Ghana. The UGCC-UP-PP-PFP tradition in Ghana's politics, of which the NPP are today's heirs, has held to these beliefs through half-a-century of political struggle. This year 2002, and in the succeeding years of NPP administration, government will do everything possible through the instruments of policy and budgetary appropriation to assist the private sector.

18. 18. The reinforcement of the legal framework and the banking system, and implementation of more direct measures of assistance towards increasing the access of private businessmen to affordable long-term capital are a priority under this budget. Government will also redeem its promise to reduce its own claims on the nation's savings so that more of it will be available to finance the investment requirements of the private sector.

19. 19. In March last year the Government took a bold decision to take advantage of the Enhanced HIPC initiative.

20. 20. The decision which President J.A. Kufuor took in March to request debt relief from Ghana's creditors has already borne fruit in the past year. Once the eligibility of Ghana to apply for HIPC relief had been established, we were able to suspend debt service payments to bilateral donors which brought budgetary savings of about US$190.0 million i.e. ¢1,368.0 billion in FY 2001.

Mr. Speaker,

21. 21. We are determined to build the Economy that will make Ghana the natural destination for investment in the ECOWAS sub-region, an economy that will improve the quality of life for our people within the context of global competitiveness.

22. 22. We call on our development partners to reach out generously to all countries in Africa, the least developed continent, who are making efforts to build a transparent democratic systems, and provide enough material and financial support to such countries to enable them succeed and serve as examples for other African countries to emulate. The NPP government will run its affairs in such a manner that it becomes one of the obvious candidates in Africa to enjoy generous support from our development partners.

SECTION TWO : WORLD ECONOMIC OUTLOOK

Mr. Speaker,

23. 23. Since late 2000, there has been a significant downturn in the global economy with the events of September 11, 2001 exacerbating an already very difficult situation. For the first time in more than two decades all the leading economies slowed down at the same time in 2001. This impacted adversely on the developing countries through the sharp decline in trade growth, lower commodity prices, and deteriorating financing conditions in Latin America and other emerging markets.

24. 24. Growth in world output for 2001 has been provisionally estimated at 2.4 per cent, which is 2.2 per cent lower than the growth rate in 2000. The growth rate in the leading economies is projected at 1.1 per cent in 2001 and 0.8 per cent in 2002 down from 3.9 per cent in year 2000.

25. 25. The growth in output for developing countries was projected at 4.0 per cent in 2001 and 4.4 per cent in 2002 down from 5.8 per cent in 2000. For Africa, a modest increase in output growth is projected from 2.8 per cent in 2000 to 3.5 per cent in both 2001 and 2002.

26. 26. The global slowdown has weakened external trading conditions which has had a serious impact on sub-Sahara African countries, considering the fact that over one third of Gross Domestic Product (GDP) of the sub-region is accounted for by exports. Prolonged decline in gold prices continue to depress export earnings of gold exporting countries, including Ghana. However, the recent trends in gold prices, if sustained, should improve the situation.

27. 27. Merchandise exports from sub-saharan Africa are expected to grow by only 2.9 per cent in 2002, while the terms of trade are projected to fall by 6.2 per cent, equivalent to 1.8 per cent of GDP. The subdued external performance will hold GDP growth to 2.7 per cent for a second year leaving per capita incomes flat, given the birth rate of 2.4 per cent in the sub-region.

Mr. Speaker,

28. 28. The picture above of the world economic situation, and for sub-Sahara African countries in particular, provides a backdrop to the economic and financial policies of Ghana for 2002.

SECTION THREE : MACRO-ECONOMIC PERFORMANCE IN 2001

Overview of Performance in 2001

Mr. Speaker,

29. 29. Considerable progress was made in stabilising the economy in 2001. From a peak of 41.9 per cent in March 2001, the rate of inflation declined to 21.3 per cent by end-December, better than the programme target of 25.0 per cent. After a sharp depreciation in 2000, the cedi stabilised at around ¢7,300 per U.S. dollar during 2001. Gross international reserves increased from US$264.0 million at end-2000 to a provisional estimate of about US$336.6 million equivalent to 1.5 months of imports, by December 2001. Provisional estimates indicate that our target of 4.0 per cent real GDP growth was marginally exceeded.

30. 30. These positive results were achieved through firm financial discipline. Aided by strict control of cash expenditures by Government, the Bank of Ghana succeeded in reducing the rate of expansion of reserve money, thus reducing the excessive monetary expansion that occurred in 2000. The 2001 targets for the government's domestic primary balance, the overall budget balance and the net international reserves of the Bank of Ghana, were all achieved.

31. 31. Overall, tax revenues exceeded target by about 5.0 per cent, mainly on account of improved revenue collections by VAT Service and CEPS. Total expenditures were below programme, even though personal emoluments, in particular, exceeded programme by about 16 per cent. To offset these over-expenditures and shortfalls in direct taxes, reduced ceilings were set on expenditures for Administration, Services, and Investments for the last quarter of 2001. In spite of these ceilings, however, sufficient funds were allocated to clear a substantial portion of road and non-road arrears.

Mr. Speaker,

32. 32. Permit me to now discuss the specifics of developments in 2001.

Overall GDP Growth

Mr. Speaker,

33. 33. Provisional estimates of economic performance during the 2001 fiscal year show an overall GDP growth rate of 4.2 per cent. This exceeded the target for 2001 by 0.2 percentage points, and was 0.5 percentage points higher than the 3.7 per cent growth recorded in 2000. The estimates indicate a much improved expansion of 4.0 per cent in output for the agricultural sector, the largest sector in

the economy compared to a growth rate of 2.1 per cent in 2000 and 3.9 per cent in 1999. The growth of the industrial sector was 2.9 per cent, lower than the 2000 growth of 3.9 per cent. The rate of expansion of the services sector, however, remained robust at 5.1 per cent.

Sectoral Growth

Agriculture

34. 34. At 4.0 per cent growth, the performance of the agricultural sector was a substantial improvement on the 2.1 per cent recorded in 2000. This strong growth was accounted for principally by the Crops and Livestock sub-sector, which contributed the largest share of the gross domestic product for agriculture. Available data indicate that with the exception of maize and millet, which suffered some slight decline in output in 2001, considerable increases were achieved in the output of other major staple crops during the year.

35. 35. The performance of the Fisheries sub-sector continued to be weak in 2001. The sub sector achieved a growth rate of 2.0 per cent. The Forestry and Logging sub-sector also recorded a lower than expected growth rate of 4.8 per cent in 2001 in contrast to the strong recovery of 11.1 per cent in 2000. Cocoa production and marketing declined by 1.0 per cent as compared to a growth of 6.2 per cent in 2000, showing the weakest sub-sector growth in 2001.

Industry

36. 36. The industrial sector grew by 2.9 per cent, lower than the growth of 3.8 per cent recorded in 2000.

37. 37. The mining and quarrying sub-sector recorded a negative output growth of 1.6 per cent, against the 1.5 per cent growth in 2000. All the other sub-sectors within the industrial sector achieved slightly lower rates of growth in 2001 compared to the levels in 2000. The growth performances in 2001 were 3.7 per cent for the manufacturing sub-sector, 4.0 per cent for the electricity and water sub-sector and 4.4 per cent for the construction sub-sector.

Services

38. 38. The performance of the Services sector remained strong, albeit at a slightly lower rate of expansion than in 2000. The sector recorded a growth rate of 5.1 per cent compared to the 5.4 per cent growth in 2000. While wholesale, retail trading, Restaurants and Hotels, recorded higher growth than in 2000, the other Sub-sectors recorded slightly subdued growth rates.

Fiscal Developments

Overall Balance

Mr. Speaker,

39. 39. Provisional outturn for 2001 indicates that overall fiscal balance was a deficit of 4.4 per cent of GDP. This shows a better performance than the target deficit of 9.0 per cent of GDP, and a deficit of 8.5 per cent in 2000. The fiscal balance reflects total revenue and grants of ¢8,476.8 billion, and total expenditure of ¢9,697.5 billion.

40. 40. **Domestic primary balance** showed a surplus of ¢1,639.0 billion, equivalent to 4.7 per cent of GDP. This also shows a better performance than the programmed balance of ¢1,368.3 billion, equivalent to 3.6 per cent of GDP, and the 2000 outturn of 2.4 per cent of GDP as shown in figure 1.

41. 41. The high primary balance of 4.7 per cent of GDP was on account of estimated **items in transit** totalling ¢243.8 billion, equivalent to 0.6 per cent of GDP. This float emanated from releases that were effected in December 2001, but which had not been debited to government account as at the time of reporting. For the sake of transparency, we have decided to include them in our expenditure report, since the funds have already been committed for those expenditure items. In effect, if the items in transit are taken into account, the domestic primary balance was 4.1 per cent of GDP.

Receipts

42. 42. **Tax revenues** exceeded the budget projections of ¢6,255.2 billion by ¢301.7 billion, because of better-than-programmed yield from value added taxes and import duties.

43. 43. **Direct tax** collections by the IRS recorded ¢2,123.7 billion, compared to the budget projection of ¢2,246.2 billion. **Value added taxes** yielded ¢1,964.1 billion against a target of ¢1,744.7 billion, showing a higher performance of 12.6 per cent. **Petroleum taxes** were ¢646.6 billion, showing a shortfall of ¢29.7 billion. **Import duties** yielded ¢1,268.5 billion exceeding the budget projection of ¢1,086.2 billion by 16.8 per cent. Receipts from cocoa export duty amounted to ¢300.0 billion, against the projection of ¢255.1 billion. The outturn for **Non-tax revenue** of ¢347.7 billion was marginally below the budget target of ¢350.0 billion. Figure 2, shows the revenue collection by the various revenue agencies, as well as the yield from non-tax revenue and cocoa exports.

44. 44. **Project loans and grants** fell short of expectations. The inflows for loans and grants were ¢1,113.8 billion and ¢511.0 billion, against the targets of ¢2,247.0 billion and ¢707.3 billion respectively. **Programme loan and grant** inflows also recorded ¢1,055.6 billion and ¢1,059.0 billion, respectively. These compare with the respective targets of ¢1,224.9 billion and ¢707.3 billion. The increase in programme grants reflects an increased confidence by our development partners in our economic and financial policies.

45. 45. **Divestiture receipts** were ¢154.4 billion, against a target of ¢391.2 billion. The divestiture programme was stalled to allow for stock taking and auditing of the activities of the Divestiture Implementation Committee. This explains the less-than-projected divestiture proceeds.

46. 46. **Net domestic financing** of the budget was ¢862.5 billion. This was slightly higher than the programmed amount of ¢686.0 billion because of Government's decision to liquidate a large portion of road and non-road arrears during the last quarter of 2001.

Payments

47. 47. Provisional fiscal data show **total statutory payments** of ¢5,474.5 billion and **discretionary payments** of ¢6,206.3 billion. These are lower than the respective targets of ¢5,574.8 billion and ¢7,498.7 billion.

48. 48. Under statutory payments, external debt service was ¢1,867.9 billion, while domestic interest payments were ¢2,309.5 billion. Thus debt service constituted about 76.0 per cent of statutory payments, and 36.5 per cent of total payments.

49. 49. In 2001, a total amount of ¢262.8 billion was transferred into the District Assemblies Common Fund (DACF) while the Ghana Education Trust Fund (GETF) received a total of ¢260.2 billion of these amounts.

50. 50. **Transfers to households**, comprising pensions and gratuities, were ¢289.6 billion, while the Road Fund received ¢719.3 billion.

51. 51. With regard to discretionary payments, **personal emoluments** amounted to ¢3,036.5 billion. This constitutes about 51.0 per cent of total discretionary payments, and was ¢416.5 billion above target. Expenditures on Administration and Services were ¢717.3 billion showing a provisional outturn of about 20.0 per cent below target.

52. 52. The outlays on total Investments were ¢1,859.4 billion, of which ¢1,644.8 billion representing 88.5 per cent were financed from foreign inflows.

53. 53. In addition to these expenditures, payments in respect of outstanding liabilities totalling ¢516.5 billion for roads, utilities and supplies were made.

Monetary Developments

54. 54. During 2001, monetary policy focused on reducing the rate of inflation as well as the rate of depreciation of the cedi. The Central Bank continued to tighten monetary policy through intensified open market operations.

55. 55. From the beginning of the year to December 2001, broad money (M2+), grew by ¢2,967.0 billion to ¢10,195.4 billion. This implies a year-on-year growth of 38.8 per cent compared with a growth rate of 47.9 per cent at the end of December 2000. The rate of monetary growth in 2001 has been relatively moderate, with reserve money growth declining from 57.9 per cent at the end of December 2000 to 27.4 per cent at the end of December 2001.

56. 56. The expansion in broad money in 2001 reflected in aggregate deposits, which increased substantially in 2001. Demand deposits increased by 130.4 per cent, while savings and time deposits increased by 52.8 per cent. Foreign currency deposits increased by 22.0 per cent during the year. It is important to note that the strong growth in demand, savings and time deposits as compared to foreign currency deposits, reflects an increase in confidence in domestic assets, which in turn reflects declining inflationary expectations in the economy. The steady growth in deposits suggests a deepening in financial intermediation by the commercial banks, which is consistent with the overall improvement in macroeconomic conditions in the country.

57. 57. Through the exercise of prudent fiscal and monetary policies, the weighted average interest rate on the 91-day Treasury bill declined from 47.0 per cent at end of June 2001 to 28.9 per cent at the end of December 2001. The decline in domestic interest rates led to a savings of about ¢500.0 billion on government debt service in 2001.

58. 58. Savings deposit rates declined from a range of 1.0-35.0 per cent at the beginning of the year to 1.0-28.0 per cent by the end of December 2001. The 3-month time deposit rates also declined from 27.0-40.0 per cent at the beginning of the year to 12.5-34.0 per cent at the end of 2001. Interest rates on Certificates of deposits also declined from 15.5-40.5 per cent at the beginning of the year to 6.0-30.5 at the end of 2001.

59. 59. Unfortunately, the decline in interest rates has not been fully reflected in the lending rates of banks. Bank lending rates have only marginally declined from a range of 39.0-55.0 per cent at the end of December 2000 to 39.0-53.0 per cent at the end of December 2001.

60. 60. Between December 2000 and December 2001, the deposit money banks' outstanding credit to public institutions and the private sector increased by 17.7 per cent to ¢6,100.9 billion. Credit to the private sector increased by 16.7 per cent while credit to public institutions increased by 38.8 per cent.

Consumer Price Developments

Inflation

Mr. Speaker,

61. 61. The year 2001 began with built-up inflationary pressures in the economy as a result of expansionary demand policies pursued in 2000. The terms of trade shocks, the general loss of confidence in the domestic economy and the high Government borrowing from the Central Bank pushed the year-on-year inflation to 40.5 per cent at the end of 2000.

62. 62. The overhang of excessive money supply growth in the last quarter of 2000, the rundown of local food stocks in the lean season and the upward adjustment in petroleum prices in February, 2001, all continued to exert further pressures on prices in the first quarter of 2001.

63. 63. These developments were quickly reversed through prudent fiscal management and tight monetary policy stance.

64. 64. The Government moved away from Central Bank financing of its deficit and resorted more to non-bank financing. In addition, the relative stability of the cedi and the good harvest of food crops contributed to the falling trend in inflation. From a peak of 41.9 per cent at the end of March 2001 consumer price inflation had fallen to 21.3 per cent at the end of December 2001, thus outperforming the target rate of 25.0 per cent for the end of 2001.

Exchange Rate

Mr. Speaker,

65. 65. The exchange rate of the cedi was stable in both nominal and real terms against almost all the major currencies in the inter-bank and the forex bureaux markets. This was in contrast with the developments in 2000 when the cedi depreciated sharply and continuously against the major currencies.

66. 66. On the inter-bank market, the cedi to the US dollar exchange rate increased from ¢7,049.73 at the end of December 2000 to ¢7,312.24 at the end of December 2001, indicating a depreciation of only 3.7 per cent for the year. This was far lower than the depreciation of 49.5 per cent recorded for the corresponding period of 2000.

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67. 67. On the forex bureaux market, the cedi to the US dollar rate increased from ¢6,800.00 at the end of December 2000 to ¢7,322.73 at the end of December 2001, indicating a depreciation of 7.7per cent. This was much lower than the 49.8 per cent depreciation recorded for the corresponding period of 2000.

68. 68. The reasons for the stability of the cedi exchange rate include the increased confidence of Ghanaians in the prudent financial policies of the government. Indeed the stabilisation has been achieved on the fiscal side by strictly limiting the government's borrowing requirements and on the monetary side by shifting its financing from bank to non-bank sources through coordinated open market operations. Thus, non-bank holdings of government Treasury Bills increased from 37.4 per cent of total holdings at the end of December 2000 to 47.5 per cent by the end of December 2001. In addition, the reduced demand for foreign exchange to service debts as a result of Ghana's HIPC declaration, as well as lower government spending and money supply growth are contributory factors to the observed stability of the cedi exchange rate.

69. 69. The functioning of the foreign exchange market has improved markedly as monetary discipline has been restored and macroeconomic performance strengthened. The Bank of Ghana has maintained a policy of non-intervention in the exchange market, and has made no foreign exchange sales to the market other than those for oil imports, allowing the exchange rate to be determined by market forces.

Balance of Payments Developments

70. 70. Following a large reserves drawdown of US$194.9 million in the wake of the external trade shock in 2000, the external sector policy in 2001 was aimed at building up net international reserves (NIR) to comfortable levels to cushion

the economy against external shocks. To help achieve this, NIR build-up of US$104.0 million was projected for the year.

71. 71. Provisional estimates show that by the end of 2001, the build up in NIR was US$144.1 million thus exceeding the projected amount of US$104.0 million. The large build-up in reserves was due to better performance on both the current and capital accounts.

72. 72. The trade balance recorded a deficit of US$848.3 million (16.1 per cent of GDP), against the projected deficit of US$778.8 million (14.5 per cent of GDP). The larger deficit was on account of larger than projected imports of oil, due to an unusually high demand for diesel fuel especially in the last quarter of the year, a large portion of which went to the mining sector.

73. 73. Exports trade continued to be dominated by the traditional export commodities of cocoa and gold, which, together accounted for 54.5 per cent of total exports.

74. 74. Exports performed below expectations, largely by under-performance of both cocoa and gold. The shortfall of US$21.0 million in gold was attributable to labour unrest in one of the major mines as well as the closure of some mines; while the shortfall of US$46.9 million in cocoa was mainly on account of lower than projected crop size.

75. 75. Despite the 1.9 per cent increase in the volume of timber exports over the 2000 level, the export value at US$169.2 million, was lower than the value of US$175.2 million recorded in 2000. The lower value for timber exports was due to a drop of 0.6 per cent in unit price per cubic metre from US$353.3 in 2000 to US$351.3 in 2001.

76. 76. Non-traditional exports were valued at US$300.6 million, compared to US$226.3 million in 2000 and US$249.3 million in 1999.

77. 77. The total value of imports (fob) was estimated at US$2,691.1 million for 2001 compared to US$2,766.6 million in 2000.

Current Account Balance

78. 78. The current account balance at the end of the year was a deficit of US$161.5 million against a projected deficit of US$236.4 million. The better performance was a result of a better than projected net invisibles of US$686.8 million compared to the targeted US$542.4 million.

Capital Account

Mr. Speaker,

79. 79. The capital account showed a provisional surplus of US$305.6 million compared to the projected surplus of US$201.4 million, mainly as a result of improved inflows of official capital and the standstill on the repayment of Paris Club and other bilateral debts while we await the decision point on HIPC.

80. 80. Crude oil prices which opened the year at an average price of US$24.13 per barrel, climbed steadily to US$29.42 per barrel in May; but in the aftermath of the September 11 attacks, crude oil prices fell sharply to US$17.75 per barrel by November 2001.

81. 81. Provisional gross international reserves at the end of year were estimated at US$336.6 million, equivalent to 1.5 months of imports, thus achieving the programme target.

External Debt Position

82. 82. Ghana's total external debt stood at US$6,025.6 million by the end of 2001. Of this total, US $ 5,535.54 million representing 92 per cent is long term debt with US$3,947.4 million owed to multilateral institutions and US$1,588.1 million owed to bilateral creditors. Medium term debt amounted to US$399.7 million which is 6.6 per cent and short term debts stood at US$150.0 million (2.5 per cent)

83. 83. Ghana will reach the HIPC decision point by the end of this month. The first tangible benefit of opting for the HIPC initiative is already being felt in an improved cash flow position. The budget is no longer burdened by relatively large debt service payments on the one hand, and uncertainty about the disbursement of funds needed to roll over debt or to finance projects.

84. 84. The total debt relief that Ghana would receive in 2002 is estimated at US$249.0 million, which is equivalent to about 4.0 per cent of GDP.

SECTION FOUR:MACROECONOMIC OUTLOOK FOR 2002

Mr. Speaker,

85. 85. Government's economic and financial policies for this year are aimed at building on the progress made in 2001 towards a sustained financial stability, intensifying efforts to strengthen public sector financial management and lay the foundations for sustained economic growth.

Macroeconomic Objectives

86. 86. In line with the broad objectives of our medium-term economic and financial programme, the key macroeconomic targets for 2002 are the following:

- A real GDP growth of at least 4.5 per cent;
- A reduction in the rate of inflation from 21.0 per cent at end-2001 to 13.0 per cent by end-2002;
- An overall budget deficit equivalent to 6.9 per cent of GDP;
- A domestic primary budget surplus of 4.2 per cent of GDP; and
- The rebuilding of gross official reserve holdings equivalent to 2.6 months of imports of goods and services.

87. 87. In order to achieve these targets and lay the foundation for further gains in subsequent years, the following key policies, among others, will be adopted:

- A more effective control and monitoring of public expenditures;
- Reduction in the government's domestic debt as a share of GDP, and using any unprogrammed receipts from divestiture and programme aid, as well as a portion of HIPC relief, to retire domestic debt;
- The containment of the indebtedness of the main parastatals through price adjustments and explicitly allocated subsidies from the budget, until full cost recovery can reasonably be obtained;
- The continued monitoring and protection of the health of the banking system;
- The development of an effective interbank foreign exchange market to improve the allocation of external resources; and
- The development of a vibrant secondary market in the trading of government financial instruments.

Growth Prospects

Mr. Speaker,

88. 88. Overall real GDP growth in 2002 is projected at 4.5 per cent.

89. 89. **Agriculture** is programmed to grow at 4.1 per cent. Within the agricultural sector, the crops and livestock sub-sector is programmed to grow at 4.0 per cent, and cocoa production and marketing is expected to recover strongly from –1.0 per cent in 2001 to 4.3 per cent. Forestry and logging is expected to show a stronger growth of 5.8 per cent than the outturn of 4.8 per cent in 2001.

90. 90. **Industry** is projected to grow at 4.7 per cent on account of a strong recovery by the mining sector from a growth of –1.6 per cent in 2001 to 4.5 per cent in 2002. A projected recovery in gold prices is expected to boost growth in that sub-sector. Manufacturing and construction are also projected to show better growth rates of 4.8 per cent and 5.0 per cent, respectively.

91. 91. Growth in the **Services** sector is projected at 4.7 per cent, showing a lower projected growth in 2002 than in 2001. The decline in projected growth is attributable to the decline in projected government services, as government reduces the provision of direct services in favour of private sector participation, through the provision of better policies and regulatory support. Consequently, it is projected that:

- Transport, Storage and Communication will grow at 5.7 per cent;
- Wholesale/Retail Trade, Restaurants and Hotels will grow at 5.6 per cent; and
- Finance, Insurance, Real Estate and Business services will register 5.5 per cent growth.

Outlook for Fiscal Policy

Mr. Speaker,

92. 92. This budget incorporates a real increase in allocations for domestic capital expenditure, as a percentage of GDP, by comparison with the tight limits imposed in 2001. This is to give effect to the development goals outlined in the President's State of the Nation Address. Overall, capital expenditures could be increased further if additional foreign assistance becomes available. The details of these expenditures will be discussed later. The statutory transfers due to the DACF, GETF, and SSNIT in 2002 have been budgeted for, in addition to unpaid obligations from 2001.

Mr. Speaker,

93. 93. For reasons of transparency, we have also made a provision in the 2002 budget for transfer to the electricity and water companies to cover the expected losses implied by the phased transition to full cost recovery in these sectors. This ensures that the cost of the subsidies and their financing are made explicit, and will also facilitate better targeting of subsidies in favour of the poor. The conversion of part of TOR's bank debt into government bonds, which will be partly serviced in 2002 from the budget, similarly serves to improve the transparency of the public finances, and to increase TOR's accountability for its future financial performance. The companies, however, will have to improve upon their own internal efficiency, as government will not pay for those inefficiencies.

94. 94. To fund these spending needs while maintaining a firm downward trend in the ratio of domestic debt to GDP, we will introduce revenue measures that will place government finances on a sounder long-term footing by emphasizing efficient, broad-based taxation.

Mr. Speaker,

95. 95. We have already taken a range of measures designed to strengthen revenue collection and administration, including the creation of a National Tax Audit Team and the appointment of members for the Revenue Agencies Governing Board (RAGB), as well as the setting up of the Board's Secretariat, to enhance coordination among the separate agencies. One task of the RAGB will be to ensure full implementation by CEPS and IRS of the common Taxpayer Identification Number (TIN) by June 2002. In addition, plans are far advanced for the creation of a fully integrated Large Taxpayers Unit (LTU). This will facilitate the amalgamation of the assessment, processing, and auditing functions for all the tax liabilities of each large taxpayer. A small number of taxpayers contribute the largest share of tax collections accounting for more than 60.0 per cent of income tax revenue and over 90.0 per cent of total turnover for VAT purposes. By supervising a limited number of taxpayers, it is thus possible to monitor the majority of tax receipts and focus the activities of skilled officers on high revenue producing tasks and ultimately improve the efficiency of tax collection.

Mr. Speaker,

96. 96. We have requested our development partners to supplement our increased efforts at domestic revenue mobilization with external debt relief under the enhanced HIPC Initiative. The total relief that we could receive in 2002 is estimated at US$249.0 million (net of debt service on the deferral of 2001 payments), which is equivalent to about 4 per cent of GDP. Of this, the portion ascribed to traditional debt relief mechanisms (US$153.0 million) has already been incorporated in the fiscal program for 2002. From the additional component (US$96.0 million) attributable to enhanced HIPC relief, 80.0 per cent will be used to fund further poverty-related expenditures, and 20.0 per cent applied to

reduce domestic debt as indicated by the priorities outlined by the President, His Excellency J.A. Kufuor in his State of the Nation Address.

Fiscal Transparency

97. 97. For purposes of fiscal transparency, the external audit of the central bank is being conducted by auditors of international standing and experience, as a signal of our determination to ensure full and accurate data for policymaking purposes. The audit, which commenced in December 2001, is expected to be completed by end-March 2002.

Mr. Speaker,

98. 98. We are also committed to improving progressively the quality and coverage of our fiscal data, as a means to strengthen policymaking and accountability. Efforts will be intensified to ensure that in this fiscal year, all MDAs report to the Ministry of Finance, expenditures financed from internally-generated funds (IGF) (such as user fees) and from direct donor funding.

99. 99. In addition Mr. Speaker, the government will seek the agreement of donors to channel all donor resources through government accounts (including committed donor accounts) at the Bank of Ghana, as well as all internally generated funds, where permitted by law. This will be particularly important for the effective tracking of expenditures related to HIPC relief.

100. 100. In order to defray further, TOR's accumulated debts resulting from previous petroleum price controls, as already stated in the mid-year review of the 2001 budget, part of any potential savings which may accrue from future reductions in world oil prices would be used to service the TOR debt. Accordingly, the petroleum price adjustment formula will be modified to incorporate a Petroleum Debt Service Surcharge (PDSS).

Resource Mobilisation and Allocation for 2002

Mr. Speaker,

101. 101. **Total receipts** are projected at ¢16,359.7 billion. This comprises tax revenue of ¢8,785.6 billion, non-tax revenue of ¢449.1 billion, and foreign grants of ¢1,982.2 billion, out of which ¢471.0 billion is HIPC assistance in the form of programme grants. Other receipts, projected at ¢5,591.8 billion, include divestiture receipts of ¢386.9 billion, programme loans of ¢724.8 billion and project loans of ¢1,999.4 billion.

102. 102. In order to limit the practice of government competing with the private sector in accessing funds from the financial institutions, net domestic financing of the budget will not exceed 139.0 billion (0.3 per cent of GDP) in 2002.

103. 103. Included in other receipts is an exceptional financing of ¢2,223.8 billion which is part of the projected debt relief from the HIPC initiative. Also included in the exceptional financing is a financing gap of 792.4 billion, for which we intend to seek additional concessional programme support. It is also projected that a total saving of about ¢118.0 billion will be made in 2002 as a result of the restructuring of treasury bills to the Government of Ghana Inflation-indexed bonds.

104. 104. **Total Payments** are also projected at ¢16,359.7 Of this, **statutory payments** are estimated at ¢6,894.6, with **discretionary payments** programmed at ¢9,465.1 billion. Under statutory payments, servicing of external debt is estimated at ¢2888.1 billion, while domestic interest payments are projected at ¢2,136.1 billion. Amounts of ¢367.9 billion and ¢329.2 billion are programmed as transfers into the District Assemblies Common Fund (DACF) and the Ghana Education Trust Fund (GETF), respectively. It is also estimated that an amount of ¢460.0 billion will be transferred into the Road Fund.

105. 105. An amount of ¢713.3 billion has been projected for transfers to households. This includes provisions of ¢292.1 billion and ¢70.0 billion for pensions and gratuities, respectively. Government social security contributions for its employees are projected at ¢351.2 billion.

106. 106. With regard to **discretionary payments**, personal emoluments are projected at ¢3,122.2 billion, while Administration and Services are programmed at ¢1,115.0 billion. Total investments are projected at ¢3,583.8 billion, out of which ¢3,287.2 will be financed from foreign sources. A total provision of ¢624.8 billion has been made for the payment of road and non-road outstanding obligations. In addition, an amount of ¢589.3 billion has been earmarked for poverty reduction activities under the HIPC initiative.

107. 107. A provision of ¢353.6 billion has, for the first time, been explicitly provided as a transfer to households, earmarked for the operations of the utility companies, namely the Electricity Company of Ghana (ECG) and the Ghana Water Company Ltd. (GWCL). This amount is a short-term measure meant to cushion consumers and smoothen the transition of the proposed increases in utility tariffs by the Public Utilities Regulatory Commission (PURC), into full cost recovery.

MONETARY OUTLOOK FOR 2002

108. 108. Monetary policy in the coming year will focus firmly on strengthening the disinflation process that is underway, to further bring down the rate of inflation and sustainable reductions in interest rates. This would provide the private sector and the market-increased confidence to make the investment decisions that would support a sustained expansion of output and employment. The Government's end–year inflation target for 2002 is 13 per cent. To achieve the target rate of inflation, the Bank of Ghana will use appropriate monetary instruments to control growth in its net domestic assets, and hence in reserve money growth. Reserve money growth for 2002 is targeted at 18.7 per cent while broad money is expected to grow at 21.5 per cent.

109. 109. Under the current monetary policy framework, it is not clear when the central bank is in the money market for the purpose of funding government or conducting open market operations and whether the current downward drift in the interest rates is a true signal of monetary policy intentions. The Bank of Ghana will therefore introduce a lending facility in 2002 and the applicable

interest rate for this facility will serve as the signalling rate for monetary policy purposes.

110. 110. It is also the government's objective to foster the development of a secondary market for government securities. This will be facilitated, inter alia, by improving settlement facilities, listing of government securities on the stock exchange and offering bills and bonds with different maturity profiles. The restructuring of the TOR debt to the banking system has involved the introduction of the Government of Ghana Index-Linked Bonds (GGILBs) with a three-year maturity at a fixed real interest rate, is an initial step. The issuance of long-term government bonds with floating interest rates for example, would offer the possibility to diversify debt instruments and to deepen the secondary market in securities.

BALANCE OF PAYMENTS OUTLOOK FOR 2002

111. 111. The external policy for 2002 will be to improve the external position of the country and to accumulate external reserves. Gross reserves, therefore, for the year 2002 is projected at US$629.0 million, equivalent to 2.6 months of imports.

112. 112. Merchandise exports are projected at US$2,037.0 million, 10.05 per cent higher than the value in 2001. Cocoa and cocoa products are also expected to generate US$467.7 million compared to US$378.1 million in 2001. The higher projected receipts for cocoa is on account of both higher prices and bigger volumes for cocoa and its products. The volume of cocoa beans is, therefore, projected to increase by 27.4 per cent to 389,000 tonnes in 2002.

113. 113. The volume of gold exports is expected to increase by about 12 per cent in 2002 to 2.6 million fine ounces although the price is expected to average about $265.0 per fine ounce compared with $273.3 per fine ounce realised in 2001.

114. 114. The current account balance (including official transfers) is projected to be a deficit of US$393.2 million, compared to the provisional deficit of US$161.5 million in 2001.

115. 115. The capital account on the other hand is projected to show a surplus of US$247.3 million, thus leaving the overall balance of payments in a deficit of US$145.9 million.

Structural Policies for 2002

116. 116. The government regards restoring the financial health of the public energy and utility companies as one of its highest priorities over the next 1-2 years. To prevent a recurrence of the huge parastatal losses built up in 1999 and

2000, which will be a burden on consumers and taxpayers for many years to come, the government intends to:

- urge the Public Utilities Regulatory Commission to finalize its transitional pricing policy for electricity and water to reflect changes in cedi costs of imported inputs and a timetable for movement to full cost recovery;

- monitor the impact of PURC's plan on the finances of ECG, VRA, and GWCL, to ensure that the provision in the 2002 budget for transfers to these companies to cover the implied subsidies to consumers associated with price controls is adequate;

- give special consideration to targeted subsidies to "buy down" water rates for the poor, in recognition that water is a staple with a significant bearing on the living standards of the poor; and

- in order not to further aggravate the finances of the parastatals, Government will remain current on its own payments for utilities and on the budget transfers needed to cover the implicit consumer subsidies.

117. 117. A preliminary assessment indicates that the impact of the TOR debt restructuring has worked to lift pressure from the balance sheets of commercial banks, and begun stabilising TOR's own financial position. The government also intends to consult with oil companies and other stakeholders with a view to the possible dismantling of TOR's monopoly of the import of petroleum products. This would enhance competition in the petroleum sector and also help the development of the interbank foreign exchange market.

118. 118. Government considers the divestiture of state holdings in commercial enterprises as a core component of its strategy to promote private sector development. In this connection, the planned "fast track" sale of state holdings in 12 companies, including Ghana Telecom will be completed. Valuations for these assets have started and potential buyers will be identified during the first quarter of 2002. Sales are expected to begin in the second quarter, with a projected yield of at least US$50 million.

119. 119. In addition, the privatization of the National Investment Bank and the Ghana Commercial Bank will continue.

120. 120. The sale on the stock market of Government shares in the Cocoa Processing Company is expected to be completed in the course of the year.

121. 121. A transactions advisor has already been appointed for the offer for sale of the Electricity Company of Ghana and valuations have been completed.

122. 122. In this same vein, we intend to reduce progressively the distortions inherent in Ghana's import tariff regime, which are an impediment to efficient

private sector activity. We are seeking the elimination of the special import tax, which will be replaced later with anti-dumping measures that are consistent with international norms and regulations.

SECTION FIVE:SECTORAL PERFORMANCE IN 2001 AND OUTLOOK FOR 2002

123. 123. In 2001, total Government payments amounted to ¢11,559.9 billion. Out of this amount, a total of ¢5,474.5 billion and ¢5,985.4 billion was programmed for statutory and discretionary expenditures respectively.

124. 124. For 2002, total Government payments increased to ¢16,359.7 billion, out of which an amount of ¢9,465.1 billion as discretionary expenditure is allocated to the MDAs for the implementation of their programmes.

125. 125. In the context of the GPRS, Government development priorities in the medium term as outlined by the President are:

- infrastructural development;
- agriculture and rural development;
- enhanced social services with emphasis on education and health;
- good governance; and
- private sector development.

126. 126. These underpin Government development programmes for 2002 and are prioritised in budgetary allocations within their broad sectoral groupings.

INFRASTRUCTURE SERVICES SECTOR

127. 127. In 2001, out of a planned expenditure of ¢736.5 billion for the Infrastructure Services Sector which was revised to ¢681.4 billion, actual expenditure was ¢681.9 billion. The actual expenditure showed a decrease of 7.4 per cent against the planned.

128. 128. The Infrastructure Services Sector has been allocated ¢1,282.0 billion in 2002 as compared to ¢736.5 billion in 2001. This allocation represents 17.0 per cent of the total planned expenditure of ¢7,406.0 billion for the 5 broad sectors and a 74.0 per cent increase over the planned expenditure in 2001.

Ministry of Roads and Transport

129. 129. Within the infrastructure services sector, roads and mass transportation were prioritised in 2001.

130. 130. The Ghana Highway Authority in its maintenance programme in 2001 completed 109 kilometres of regravelling out of a programmed 173 kilometres. The following were also completed: 100 kilometres of spot improvement out of 146 kilometres; 225 kilometres of resealing out of 403 kilometres; 82 kilometres of re-surfacing out of 103 kilometres and 77 kilometres of upgrading out of 80

kilometres. Some of these roads are: Brofoyedru-Akenkansu, Telekobokazo–Aniben Junction, Denu–Kedzi, and Bolgatanga–Bawku Roads.

131. 131. As part of the road construction programme, the Ghana Highway Authority completed 244 kilometres out of 460 kilometres of roads. Some of these roads are Kpando–Worawora (Phase 1), Gyato Zongo-Yeji, Biriwa-Takoradi and Obuasi Town roads and work is also in progress on the Wenchi-Sampa and Takoradi–Agona Junction roads.

132. 132. Preparatory works were at various stages for the reconstruction of: Accra–Yamoransa, Achimota–Apedwa, Tema-Sogakope, Kumasi–Techiman, Axim Junction–Tarkwa, Anyinam-Kumasi, Tetteh Quarshie Circle-Mamfe roads and the construction of Tetteh-Quarshie interchange.

133. 133. The Department of Feeder Roads rehabilitated 407 kilometres of roads, regravelled 315 kilometres of roads, surface dressed 7.4 kilometres and undertook spot improvement of 613 kilometres of roads including: Jirapa – Babile in the Upper West Region, Elluokrom – Fosukrom in the Western Region, Gromesa – Kramokrom in the Ashanti Region and Kpatinga – Nawuni in the Northern Region. The surface dressed roads included the Ekye-Amanfrom – Amankwakrom and Huhunya - Boti roads.

134. 134. The Department also completed 15 bridges in the Western and Central Regions.

135. 135. The Department of Urban Roads completed 120 kilometres of resurfacing, resealing and rehabilitation works out of the programmed 211 kilometres of roadway.

136. 136. In furtherance of the Government's policy on mass transportation, Parliament approved a loan for the importation of 100 large-capacity buses for private sector operators.

Outlook for 2002

Mr Speaker,

137. 137. Key elements of government economic policy for 2002 is to expand and upgrade infrastructural facilities to provide a template for increased economic activity and wealth creation. A budgetary allocation of ¢604.1 billion has been provided for infrastructure development in 2002. The bulk of the expenditure will be funded from external sources.

138. 138. The Ghana Highway Authority (GHA) will commence the reconstruction of the following trunk roads for which funding has been secured:

- Accra-Yamoransa
- Bole-Bamboi
- Apedwa-Bunso
- Bonso-Anyinam
- Anyinam-Konongo
- Tema- Akatsi-Aflao
- Kumasi-Techiman
- Axim Junction-Tarkwa
- Pantang-Mamfe
- Kadjebi-Brewaniase -Oti Damanko
- Bibiani-Abuakwa
- Bawdie-Asankragwa
- Wiaso-Asawinso-Osei Kojokrom
- Oda-Nkawkaw; and
- Tetteh Quarshie Circle-Adenta.

The construction of the Tetteh Quarshie Interchange will also commence during this year.

139. 139. Work will continue on the following road projects :

- Takoradi-Agona Junction (28kms)
- Wenchi-Sampa (30kms) – Phase I
- Tamale-Yendi (43kms)

140. 140. The Ghana Highway Authority will undertake 543 kilometres of regravelling; 108 kilometres of spot improvement, 191 kilometres of resealing, 108 kilometres of resurfacing and 135 kilometres of upgrading of roads throughout the country.

141. 141. The Department of Feeder Roads will undertake the regravelling, spot improvement, surfacing, rehabilitation and upgrading of 3,198 kilometres of roads under its periodic maintenance programme nationwide.

142. 142. Roads to be surfaced include:

- Ekye Amanfro – Amankwakrom;
- Sokode – Bame;
- Old Ningo – Lekponguno;
- Eshiem - Besease Anyinaso;
- Abosso - Wassa – Nkran;
- Akropong – Kapro-Adankwame
- Bawku – Narungu; and
- Salaga Town Roads.

143. 143. Odumase-Seikwa and Sombo - Sankana roads will be regravelled and rehabilitated respectively.

144. 144. The Department will also construct 15 bridges in the Western, Volta Central Eastern and Ashanti regions.

145. 145. The Department of Urban Roads will continue its main activities of regravelling, resealing, resurfacing, rehabilitation and upgrading of 311 kilometres of roads in the Metropolitan, Municipal Assemblies and the Ga District.

146. 146. Construction works will start on the following in the course of the year:

- Kwame-Nkrumah Circle – Achimota (Neoplan Road);
- Adiembra – Inchaban Roads in Sekondi;
- Tema – Manhean Valco roads;
- New Over-pass to Ashiaman in the Tema Municipality; and
- Asafo-Market Interchange
- Traffic management facilities in Adum and Kejetia in Kumasi will be installed.

147. 147. The Ministry will review existing policies to guide the operation of mass transportation in the cities. Omnibus Services Authority (OSA) will be restructured into zonal semi autonomous subsidiary companies with private sector participation to enable it contribute to the mass transportation programme. Furthermore the Government will continue to assist private sector operators to acquire high occupancy buses to augment their fleet.

148. 148. The National carrier, the Ghana Airways is receiving attention and government will soon come out on the way forward.

149. 149. In collaboration with other stakeholders, the National Road Safety Commission will intensify and sustain its road safety education programmes.

Ministry of Works and Housing

150. 150. To date, the Government has spent about US$52.3 million on the Keta Sea Defence Project.

151. 151. The following phases were completed in 2001:

- three out of the 7 groynes designed to be constructed in armour rock;
- reclamation of land in parts of Vodza and Adzido for resettlement through hydraulic filling of sand dredged from the Keta Lagoon;

- sand embankment of link road up to 6.5 kilometres out of 8.3 kilometres through hydraulic filling, placing of crusher run stone, grading, watering and rolling was completed; and
- cross roads to 4 groyne sites.

152. 152. In 2001, part of Ada, Nkontompo, Shama, Axim and Akatakyie coastline protection works continued, using a system of groynes of combined armour rocks/gabions revertment and groyne structures from sea erosion.

153. 153. Korle Lagoon Ecological Restoration Project activities completed during 2001 include:

- dredging of the lower lagoon and canalization of the upper lagoon;
- channel improvement of the Kaneshie, Odaw/Korle and the Agbogbloshie canals;
- slope protection to the sides of the Kaneshie, Odaw/Korle Canals and the provision of gabion hydraulic pump structure in the Kaneshie Canal; and
- landscaping, site reclamation and grassing of the former Pig Farm at Korle Gonno.

154. 154. In 2001, Government secured funds to build serviced land banks at Dunkonah, Berekusu, Manchie and other parts of Accra.

Outlook for 2002

155. 155. An amount of ¢623.2 billion has been earmarked for the Ministry of Works and Housing in 2002 to implement it's programmes and projects.

156. 156. Government has allocated an amount of ¢1.6 billion under hydrological works, to continue coastal protection work on the most critical areas along the coastline especially at Ada, Akplabanya, Prampram, La, Osu-Castle, Philip Quaicoe, Nkontompo and Prince Akatakyie.

157. 157. With regard to the Keta Sea Defence, Government will intensify its facilitation role to enable the construction of the remaining 4 groynes. Land reclamation will continue at Kedzi and the resettlement of the affected people will take place at Adzido, Vodza and Kedzi.

158. 158. An amount of ¢2.6 billion has been provided to continue work on drains at the following places:

Ashanti Region:	Nsuta, Konongo-Odumase and Agogo
Central Region:	Ayekoo-Ayekoo, new hospital in Cape-Coast
Western Region:	Takoradi Polytechnic, and West Tanokrom

Eastern Region: Koforidua, Agbomenya Hospital and Larteh
Brong Ahafo Region: Sunyani, and Goaso
Volta Region : Kadjebi and Ho
Upper East Region: Zebilla and Bolgatanga
Northern Region: Salaga and Mpaha

159. 159. The Korle Lagoon Ecological Restoration Project will continue with the following :

- construction of a new sea outfall pipe;
- construction of an Interceptor Weir at the confluence of Kaneshie, Odaw and Agbogbloshie drains; and
- construction of a pumping station at the right bank of the upstream weir.

160. 160. The Ghana Water Company Limited (GWCL) will continue to be responsible for Urban Water Supply. This year, various water treatment plants with a total capacity of 115 million gallons a day will be built/rehabilitated countrywide. An amount of ¢62.4 billion is earmarked for constructional works for the expansion of the major treatment plants at Kpong, Weija, Barekese, Abesim, Daboase/Inchaban, Winneba, Akwapim Ridge Water Supply, and West Accra District Water Supply. In addition ¢1.4 billion has been provided for the rehabilitation and expansion of old and minor water treatment plants, including the New Tafo Water System.

161. 161. The Community Water and Sanitation Agency (CWSA) rural water programme for 2002 will consist of the construction of 660 new boreholes, 350 new hand dug wells, 16 new mechanized community pipe systems, 10 gravity pipe systems and rehabilitation of about 1,000 boreholes and 500 hand dug wells country-wide.

162. 162. The CWSA also plans to construct 3,117 household places of convenience and 88 institutional places of convenience country-wide, and will also train 1,330 Water and Sanitation (WATSAN) Committees, 2000 hand pump caretakers, 400 area mechanics and 100 artisans to effectively and efficiently manage rural water and sanitation facilities.

163. 163. For the Housing sub-sector, Government will facilitate the commencement of the construction of 20,000 and 90,000 housing units for rentals and ownerships respectively. The programme is to accelerate housing delivery and also to safeguard home buyers interest.

Ministry of Communication and Technology

164. 164. In 2001, the Communication Ministry launched a national Information Technology framework document.

165. 165. The Meteological Services Department created and rehabilitated 110 weather observing stations in Ashanti, Eastern and Brong Ahafo Regions. It also upgraded the TV weather station at the Kotoka International Airport Meteorological Office. The Department restored Internet connectivity at the MSD Headquarters and the design of a website was completed.

166. 166. Gratis Foundation designed and produced five types of solid waste containers and garbage bins. It also produced 4 agro processing plants to process cassava into gari, starch and flour. Women small-scale producers continued to be helped in beekeeping, soap making and food processing.

OUTLOOK FOR 2002

167. 167. The new Ministry intends to develop a nationwide communication technology infrastructure to promote accelerated growth through accessibility to telephone facilities from 230,000 to 430,000 fixed lines.

168. 168. The Ministry will develop a legal framework for the establishment of a National Information and Telecommunication Agency.

169. 169. In 2002, Development and Application of Intermediate Technology (DAPIT) will publish a directory of appropriate technological equipment made locally.

170. 170. The GRATIS Foundation will provide gender sensitive technical and rural enterprise skills.

171. 171. It will also provide skills training to 540 individuals to set up small technology based businesses and design and disseminate 6 new technologies in the processing of cassava, maize, cashew and sheanut.

172. 172. The Ministry of Communications and Technology has been allocated ¢54.8 billion for its operations.

ECONOMIC SERVICES SECTOR

173. 173. Within the Economic Services Sector the priority areas are agriculture, energy and private sector development.

174. 174. The Economic Services Sector recorded in 2001, an actual expenditure of ¢884.7 billion against a planned expenditure of ¢948.9 billion which was revised to ¢893.6 billion. The actual expenditure was less than the planned by 6.8 per cent and was 1.0 per cent less than the revised planned expenditure.

175. 175. In 2002, a total amount of ¢1,347.0 billion has been earmarked for MDAs under this sector as compared to the 2001 allocation of ¢948.9 billion. This is 42.0 per cent higher than the allocation in 2001.

Ministry of Food and Agriculture

176. 176. In pursuance of the objective to reduce importation of rice by 30.0 per cent by 2004, the following were undertaken in 2001:

- support was given to smallholder farmers in the three northern regions to cultivate an extra 4,100 hectares using improved seeds, water management and harvesting techniques;

- the Afife Irrigation Project was rehabilitated and farmers supported with credit in the form of improved seeds, fertilizers and other agro-chemicals resulting in the doubling of the area under rice cultivation from 440 to 880 hectares;

- the Lowland Rice Development Project being implemented in the Tolon/Kumbugu, Savelugu/Nanton and West Gonja Districts of the Northern Region established 650 hectares of rice for 1,450 farm families, who produced about 5,500 tonnes of paddy rice;

- rice mills with de-stoners were introduced for the first time to 12 rice growing areas including Akim Oda, Afife, Dawhenya, Nobewam, Ejura and Bolgatanga;

- the Nasia Rice Mill in the Northern Region, which had broken down since 1992, was reactivated to its maximum capacity with the rehabilitation of the boiler unit; and

- five private sector operators were organized to buy paddy rice, to mill and bag with their own labels;

177. 177. Maize also received a boost through the production of 42 metric tones of foundation seed under the Food Crop Development Project. A national buffer stock of maize was established in collaboration with the private sector.

178. 178. Under the President's Special Initiative on cassava (Agribusiness) planting materials were supplied to cover 993 hectares in the four pilot districts of Awutu-Efutu-Senya and Upper Denkyira in the Central Region and Asuogyaman and Fanteakwa in the Eastern Region.

179. 179. A total of 3,577 hectares of four improved varieties of cassava were multiplied in 43 districts across the country under the Root and Tuber

Improvement Programme (RTIP) which also successfully experimented with the use of cassava flour in making bread and pastry.

180. 180. In the Western and Central Regions, 590 hectares of coconut farms destroyed by the Cape St. Paul Wilt disease were replanted with coconut hybrids tolerant to the disease.

181. 181. In the livestock sub-sector mass vaccination of 39,000 cattle, 51,900 sheep and goats and 2,500,000 poultry was carried out.

182. 182. Under the fisheries sub-sector project, 102 functional Community-Based Fisheries Management Committees were established along the coastline to provide technical services to fish producers.

183. 183. The Agricultural Engineering Services Directorate assembled 46 tractors, 72 power–tillers, 25 motorised tricycles, 8 rice mills, 10 manual tricycles and other agricultural machinery/equipment and sold them to farmers and processors. Prototypes of rice threshers, sugarcane crushers and cassava multiple processors were produced in 2001.

Outlook for 2002

184. 184. To implement the programmes and projects of the Ministry of Food and Agriculture in 2002, a provision of ¢349.9 billion has been made. This represents 27.3 per cent of the total budgetary allocation for the Economic Services Sector. The Agricultural Services Subsector Investment Programme (AgSSIP) which is one of the main instruments for implementing the sector strategy will provide part of this resource to the sector. The programme was approved by Cabinet in April 2001 and by Parliament in July 2001. The budget for the first year of implementation, that is 2002 is about ¢121.0 billion. This covers technical programmes, civil works and provision of logistics for implementation of core activities, including capacity building programmes for 37 staff per district.

185. 185. A key strategy to be adopted to increase food production in the short to medium term is to promote selected commodities while at the same time, providing services for the production of all other commodities.

186. 186. The selected commodities cover items under food security, agricultural raw materials for industry and agricultural commodities for export.

187. 187. In the crops sub-sector efforts will continue to be made to increase rice production. To this end, the current area of 139,433 hectares under rice production will be increased by about 15 per cent through improved land and water management practices, improved seed and the provision of credit. It is

expected that this will increase paddy rice production by about 50,000 metric tones.

188. 188. Under the Root and Tuber Improvement Programme 50,000 farmers will be provided with improved cassava planting materials for multiplication for their own use and for other farmers for planting to cover 15,000 hectares this year. The use of cassava flour for making bread and pastries will be fully introduced to bakers this year.

189. 189. With respect to animal health services, it is planned to make livestock clinical services readily accessible to farmers through the training of additional Community Livestock Workers (CLW) and encouragement of more veterinary doctors to go into private practice. Through this strategy, the reliance on the state for clinical services will be greatly reduced.

190. 190. Under the Open Nucleus Breeding System the government will continue to supply improved breeds of sheep and goats. To this end, farm structures at the MOFA Livestock Breeding Stations will be rehabilitated.

191. 191. Fish production will be improved through the promotion of aquaculture to supplement current output.

192. 192. Twelve existing fish hatcheries will be rehabilitated and three under construction at Dunkwa–On-Offin and Twifo Praso in the Central Region and Dormaa-Ahenkro in the Brong Ahafo Region will be completed and stocked for fingerling production to be supplied to fish farmers.

193. 193. In furtherance of Government's determination to reduce over reliance on imported raw materials and to reduce import bills, farmers will be supplied with varieties of maize and sorghum and encouraged to go into production to feed the local breweries.

194. 194. As part of measures to promote the processing of agricultural products, Agricultural Engineering Services Directorate will be strengthened to promote the use of locally manufactured machines that are less expensive but efficient, durable and readily available. Two chain processing plants each for root and tuber crops, tomato, and fruits and vegetables will be manufactured and tested on pilot basis at selected locations across the country. Out of the prototypes already produced, the ministry will manufacture 50 each of rice threshers, cassava processors and sugarcane crushers.

195. 195. The Village Infrastructure Project will provide the following:

- In the area of Rural Water, a total of 878 sub-projects, comprising dams, dugouts, small irrigation systems, fish ponds, bore-holes, hand-dug wells and village pipe systems will be completed.

- Under the Rural Post Harvest Infrastructure, 489 sub-projects comprising drying floors, cribs, markets, agro-processing facilities and credit for about 100 individuals and 500 groups will be completed.

- For rural transport infrastructure, 700 kilometres of spot improvement, village-to-farm tracks will be completed and 400 intermediate means of transport facilities including bicycles and tricycles with trailers and animal traction will be provided.

- In the area of institutional strengthening and capacity building, an amount of US$2.2 million is planned to be spent on the Information Education and Communication (IEC) campaign, and on the training of District Assemblies, Beneficiaries/Communities, Consultants/NGOs/CBOs. Staff of departments under District Assemblies such as Community Development and Co-operatives will be actively involved in the development and training of groups. The National Board for Small Scale Industries (NBSSI) will train and monitor the trainers in Business Management. At least 74 NGOs, 550 District Assembly staff, 75 District Tender Boards, 20 Area Councils, 20 District and Local Market Management Committees and over 100 groups and individuals will be trained in 2002.

Ministry of Energy

196. 196. The Ministry of Energy undertook the following in 2001:

- Tema Oil Refinery Residual Fluid Catalytic Cracker Project is almost completed;

- discussions started to put in place modalities for the implementation of unleaded gasoline project;

- tender evaluation was completed for the selection and award of contracts for the fabrication of surface tanks with funding from the Kerosene Promotion Fund; and

- purchased equipment for 1,500 Solar PV Energy Systems out of which 500 were fully installed.

Outlook for 2002

197. 197. For 2002, the Ministry of Energy is allocated ¢651.9 billion to undertake a number of strategic programmes.

198. 198. The National Electrification Programme will continue. The last phase of the Self Help Electrification Programme (SHEP 3) that will supply electricity to about 650 communities selected from the 10 regions will be completed, while SHEP 4 project that will benefit additional 2,000 communities will commence this year.

199. 199. The Residual Fluid Catalytic Cracker project will be completed and commissioned in April 2002. In this regard an operation and maintenance contract will be signed between TOR and the Operation and Maintenance contractor for the operation and maintenance of RFCC.

200. 200. About 70 per cent of the Petroleum Railing Project to link Tema and Kumasi by rail line for the transportation of petroleum products will be completed by December while plans are underway to complete the fabrication of 600 kerosene surface tanks for distribution to rural areas by September this year.

201. 201. Government is committed to the early completion of the West African Gas Pipeline project. As highlighted in the President's State of the Nation Address, to Parliament, a Letter of Intent and Term Sheet for the Gas Sales Agreement will be executed between VRA as foundation customer and the consortium of Nigerian Gas producers.

202. 202. The Ghana National Petroleum Corporation (GNPC) and the Ministry are discussing the terms under which 4 foreign companies will be licensed this year to undertake deep-sea oil exploration activities. Some of the companies include, VANCO, ALDERNEY, etc.

203. 203. Efforts are being made by Government to secure additional generation of power from renewable energy sources. The following will be undertaken:

- Electrification of 2,000 rural homes with solar power in remote and isolated rural communities;
- A feasibility study to assemble solar equipment in Ghana;
- A renewable energy centre will be established in Appolonia to demonstrate and test different renewable energy technologies; and
- a more efficient charcoal and firewood stove that uses less fuel and emits less smoke will be promoted.

Ministry of Private Sector Development

204. 204. The Ministry will, in collaboration with the Ministries of Trade and Industry and Food and Agriculture support the establishment of at least 10 small

and medium scale fruit processing plants and 3 tomato processing plants in 2002 as well as 10 small scale brown sugar production plants.

205. 205. The Ministry will also in conjunction with the Ministries of Trade and Industry and Mines, facilitate the provision of land and machinery for salt production to increase the volume of production for export from the current 200,000-300,000 metric tonnes to about 600,000 metric tonnes.

206. 206. In 2002, the Ministry will establish a small but effective 3 member research unit for the continuous development and review of strategies for private sector development. The Unit will establish the inventory of private sector development programmes by all MDAs, monitor and evaluate them.

207. 207. To promote entrepreneurship culture, the Ministry will liaise with the Ministry of Education and the relevant stakeholders to start a national entrepreneurship education policy. As a first step, an entrepreneurship education curriculum will be developed and introduced in all public universities and at least 50 per cent of all government controlled tertiary vocational and technical institutions this year.

208. 208. The legal framework for encouraging public - private partnership will be put in place by December 2002.

209. 209. The Ministry will also collaborate with other Ministries to embark on activities to strengthen the provision of policy support to the private sector to enable it respond to Government's goal of job creation, poverty reduction, technological improvements and the attraction of private capital.

Ministry of Mines

210. 210. The Ministry of Mines in 2001 completed identification and compilation of a list of industrial mineral deposits. A workshop on industrial minerals potential was also held to create investor awareness to promote investment in the sub-sector.

211. 211. A private investor was licenced to refine gold and to produce jewellery. The Precious Refinery has commenced business. Production of jewellery for the local market and exports was also on course.

Outlook for 2002

212. 212. Measures to be taken by the Ministry of Mines to sustain increased investment in mining sector include the following:

- assistance to already existing registered companies to carry out their business so as to generate employment, create wealth and improve the living standards of the Ghanaian society;

- promotion of harmonious relationship between the mining companies and mining communities;

- diversification and expansion of the minerals base to relieve the economy of shocks and generate more revenue and employment;

- provision of assistance to small scale miners to improve their business; and

- control of the menace of illegal mining through education and encouragement to register as legal operators.

213. 213. The Ministry of Mines has been allocated ¢11.8 billion for its programmes in 2002.

Ministry of Lands and Forestry

214. 214. The activities undertaken by the Ministry of Lands and Forestry in 2001 included the following:

- under the Forest Plantations Development Project, the President launched the National Forest Plantations Development in Brong-Ahafo in September 2001 with a target of planting 20,000 hectares of trees per annum to bridge the current and future supply-demand deficit in the timber industry, increase food production, generate employment and reduce poverty;

- the Forestry Commission law will be amended to release funds for the development of afforestation initiated by the private sector; and

- under the Savannah Resource Management Project, Communities were assisted to develop woodlots to ease demand for wood fuel. Others have been provided with alternative livelihood such as beekeeping and ruminants rearing. Integrated Watershed Management plans have been prepared for 24 communities in 9 districts of the 3 northern regions.

Outlook for 2002

215. 215. The Ministry has been allocated ¢102.6 billion for its programmes and projects. Some of the prioritised programmes and activities of its agencies are stated below.

216. 216. The Lands Commission will complete non-spatial data entry into computers for state lands in Accra and continue to organise Deed Registry records for land titling purposes.

217. 217. The Commission will collect data and undertake research on peculiarities of land ownership in the Upper West Region as well as organise seminars and workshops for stakeholders on effective land management.

218. 218. The Land Valuation Board will undertake the categorisation of compensation data in terms of payments and non-payments as part of the action plans of the National Land Policy, which is to be implemented by 2004.

219. 219. The Board will continue to carry out the capital valuations for all purposes for land development and investment as well as the determination of rateable values for revenue generation for District Assemblies.

220. 220. The Board will develop an appropriate Information Technology software to improve billing of property rating at the District Assemblies and train their staff in its application.

221. 221. The Survey Department will this year undertake a digital mapping of Accra/Tema by acquiring aerial photographs, and producing 50 per cent and 25 per cent respectively of digital and tourist maps during the year.

222. 222. A total of 110 annotated district maps will be produced by the end of the year by identifying the district boundaries from the gazette, transferring such boundaries onto 1:50,000 scale maps and producing the annotated maps at the appropriate scale.

Ministry of Trade and Industry

223. 223. Last year, the Ministry of Trade and Industry in pursuance of enhanced trade relations with the USA within the context of the African Growth and Opportunities Act (AGOA) established the AGOA National Committee with advisory sub-committees on visa systems and customs procedure, textiles and garments, marketing and publicity of other export products.

224. 224. Government established a garments/textiles training centre at Accra Technical Training Centre (ATTC) to train operators and computer-aided designers and manufacturers to take advantage of new developments in the textiles and garments industry.

225. 225. Training programmes were organised to improve the entrepreneurial and managerial competence of micro and small-scale enterprise operators. Under

this programme advisory extension services were provided to 6,000 entrepreneurs out of which:

- six hundred and nine individuals were assisted with loans under the various financial schemes operated by the National Board for Small Scale Industries;
- forty seven entrepreneurs were assisted to participate in the Sixth Indutech Fair;
- one hundred and forty training programmes were organised for 4,550 potential and practicing entrepreneurs;
- eleven entrepreneurship programmes were organised for 330 graduates from tertiary and vocational institutions; and
- ten entrepreneurship training programmes were organised for 250 unemployed youth.

Outlook for 2002

226. 226. As part of the measures to enable Ghana take full advantage of AGOA, the AGOA secretariat at the Ministry of Trade will continue to liaise with the administration of the President's Special Initiative to provide targeted support by way of training, credit and market opening services to local farmers for production of industrial starch from cassava for export and to boost the export of textiles and garments.

227. 227. The Ministry has initiated the Rural Trade and Industry Promotion Programme (RUTIPP) to energise rural industrialisation and trade strategies as an effective means of reducing rural poverty with the focus on the Brong-Ahafo and Northern regions.

228. 228. The Ministry will also pursue the following: -

- training to enhance capacity of entrepreneurs in the Agro-Processing and Metal Business;
- establishment of four agro-businesses zones in Northern and Brong-Ahafo regions;
- develop 5 prototype machinery/equipment for food processing; and
- identify and support 2 innovative entrepreneurs in each district by improving access to credit, training and technology.

229. 229. The National Board for Small Scale Industries will focus on the following strategies in 2002:

- Provide tailor–made entrepreneurial, managerial and technical skills training programmes to enhance the capacity of the Medium and Small-Scale Enterprises (MSEs); and

- Improve MSEs access to formal credit through increased supply of funds and simplified loan application and processing procedures.

230. 230. The Ghana Export Promotion Council (GEPC) will undertake the following:

- enhance the capacity of and facilitate 3000 Exporters to enable them take advantage of opportunities in the export market;
- facilitate the development of 8 identified products in various parts of the country;
- promote Ghanaian products on the international market through market access and market contact; and
- improve the network for export development and promotion at GEPC by establishing a One-Stop-Shop for exports.

231. 231. To achieve the targets for 2002 the Ministry has been provided an amount of ¢86.9 billion

Ministry of Tourism

232. *232.* Ghana's policy to develop tourism as an internationally competitive tourist destination achieved a measure of success in the year 2001.

233. *233.* A series of courses and workshops were designed to improve the operation of the hospitality industry and was organised throughout the country. The Ministry of Tourism also facilitated the allocation of 20 luxury coaches imported for tour operators.

Outlook for 2002

234. 234. A total of ¢ 15.2 billion has been earmarked for the Ministry of Tourism to implement its programmes for the year.

235. 235. The goal is to develop tourism as a leading socio-economic sector of the country and an internationally competitive tourist destination. The focus is to:

- create 115,223 direct and indirect employment opportunities;
- increase foreign exchange inflows from $447.8 million in 2001 to $519.6 million this year; and
- contribute about 3.5 per cent to the GDP by the end of this year.

236. 236. The Ministry of Tourism will also continue to promote domestic tourism with emphasis on the first and second cycle schools. In this regard, a Domestic Tourism Policy will be submitted to Cabinet for approval and subsequently implemented by the Ministry of Tourism and the Ministry of Education in collaboration with the Tour Operators Union of Ghana and the Ghana Hotels Association.

Ministry of Environment and Science

237. 237. In 2001, the Ghana Atomic Energy Commission treated 2.2 tonnes of species and 103.4 cubic metres of intravenous sets of irradiation.

238. 238. An average of 50 out-patients a day was attended to at the Radiotherapy Centre in Korle-Bu.

239. 239. Government's programme of promoting small-scale on-farm technologies through which farmers can process and add value to agriculture produce was continued. Under the programme, 236 master craftsmen and 1,200 persons received training in improved technologies while 3,588 small-scale entrepreneurs were counselled in entrepreneurial skills.

Outlook for 2002

240. 240. The Ministry of Environment and Science has been allocated ¢124.3 billion. The Ministry and its Department and Agencies will strengthen public education, sensitisation and awareness creation on environmental issues, especially on negative impacts of bushfires, bush burning, plastic waste disposal and general sanitation.

241. 241. The Environmental Protection Agency will be strengthened to monitor compliance with environmental laws and regulations by projects approved especially under environmental impact assessment and environmental management plans. In this respect 200 people will be trained as enforcement officers.

242. 242. The Town and Country Planning Department will select 2 districts in each region to enforce road network accessibility as mapped out in approved planning schemes. The development of public open spaces in the selected districts will also be pursued.

243. 243. The Rural Enterprise Project operating in 13 districts of the Ashanti and Brong-Ahafo regions will assist rural banks in those areas to extend credit facilities to more than 1,000 rural entrepreneurs.

244. 244. To complement Government's efforts of reforestation, the Ministry will pursue the restoration and reforestation of degraded lands including the

Akwamu-Krobo-Akwapem Mountain Range, Weija Lakeside and the Densu Basin. This will be supported by the mass propagation of wawa, teak, mahogany and other popular seedlings by the Council for Scientific and Industrial Research.

245. 245. The Ministry and its agencies will accelerate the promotion of apprenticeship and mastery of proven technologies through further training of 200 master craftsmen and 1,800 apprentices including disadvantaged women in micro and small-scale enterprise activities.

246. 246. The Council for Scientific and Industrial Research will release high-yielding, disease-resistant planting materials including varieties of rice, cassava, sweet potato and legumes to farmers. Three million germinated oil palm seedlings will be produced to boost the oil palm industry.

247. 247. To accelerate the expansion of aquaculture as a means of livelihood in the country, the CSIR will complete the study of the population genetics of the black-chinned tilapia.

248. 248. To enhance research and service delivery, infrastructure development within the research institutions will be strengthened. Furthermore, Internet connectivity will be expanded in the entire MDA with the installation of local area networks and other facilities to improve intra-sectoral communication.

249. 249. The multiplication of planting materials using tissue culture techniques will be improved through the completion of the new laboratory at the Ghana Atomic Energy Commission. In addition, the Radiotherapy and Nuclear Medicine Centre at the Komfo Anokye Teaching Hospital will be completed and commissioned.

SOCIAL SERVICES SECTOR

250. 250. In 2002, Government has allocated ¢2,587.0 billion to the Social Services sector which represents 35.0 per cent of the total amount earmarked for the five broad sectors and the same percentage increase over the 2001 planned expenditure.

251. 251. The priority areas under the Social Services Sector are Education and Health.

252. 252. In 2001, actual expenditure of the Social Services sector amounted to ¢2,132.1 billion as against a planned expenditure of ¢1,910.2 billion which was revised to ¢1,659.7 billion. The actual was 12.0 per cent above the planned expenditure and 28.0 per cent higher than the revised.

Ministry of Education

253. 253. Basic education in 2001 continued to be a major priority of the Government. Organisational Structures put in place to ensure community involvement in the planning and efficient delivery of education include:-

- establishment of District Education Planning Teams in all 110 districts;
- establishment of School Management Committees of which 80 per cent are functional;
- establishment of Information Education and Communication in 106 districts, Education Oversight Committees in all districts and the institution of School Performance Appraisal Meetings between teachers and communities; and
- provision of 1,322,390 library books worth ¢14.0 billion for junior secondary schools in addition to 473,898 Integrated Science Textbooks to improve teaching and learning.

254. 254. The Girl Child Education Unit provided material support to 6,600 needy children to retain them in school, while 2,500 girls from JSS and SSS benefited from the STME clinics organised in the regions.

255. 255. Rehabilitation and construction of school facilities progressed. A total of 579 projects in 381 second cycle institutions reached various stages of completion.

256. 256. Six out of 20 Vocational and Technical Resource Centres were rehabilitated, equipped and commissioned.

Outlook for 2002

257. 257. Government will re-invigorate the traditional emphasis on education and introduce new measures to address some of the recent challenges at the basic and senior secondary school levels. The Ghana Education Service will be guided by the need to meet public demand for access to quality education.

258. 258. For the year 2002 programmes have been designed to address the following problems:

- low enrollment;
- low quality of education;
- inadequate number of students with the right skills for the world of work;
- institutional deficiencies; and
- inadequate infrastructure.

259. 259. In pursuance of the fCUBE, the Ghana Education Service will ensure efficient delivery of quality education and make it accessible to all children of school-going age. The programme will emphasise the following areas: -

- access and participation;
- quality of teaching and learning; and
- management of efficiency.

260. 260. An amount of ¢216.7 billion has been provided for the fCUBE programme.

261. 261. The incentive scheme to attract and retain trained teachers in rural areas will be continued. A total of 500 motorcycles and 15,000 bicycles will be distributed this year as part of the scheme.

262. 262. The Government attaches importance to the provision of quality school facilities. Under the Basic Education Sector Improvement Programme, 2,000 teachers' accommodation, 100 classroom blocks and 150 KVIPs which are under construction will be completed this year. A provision of ¢57.8 billion has been made to support the project. In addition, 420,000 pieces of classroom furniture will be procured at a cost of ¢50.0 billion.

263. 263. In accordance with Government policy for quality and access to senior secondary school education, the current rehabilitation and construction programme will be intensified to revamp second cycle schools, especially those in deprived areas, to reverse the tide of qualified students from rural communities besieging schools in urban centres for admission. The programme will include:

- rehabilitation of school buildings;
- construction of additional facilities;
- development of one community senior secondary school in each district as a model institution; and
- absorption of private community senior secondary schools into the public school system.

264. 264. It is expected that these initiatives will facilitate equity in the provision of educational facilities. A provision of ¢13.2 billion has been made to improve infrastructural facilities in senior secondary schools.

265. 265. The promotion of science, technical and vocational studies to equip students with requisite skills for the world of work will be sustained. The programme will involve the following: -

- rehabilitation of science facilities and workshops;
- organization of science, technology and mathematics education clinics for girls;

- establishment of Vocational and Technical Resource Centers (VOTEC);
- establishment of linkages between technical institutes and industries; and
- industrial attachment for teachers and students.

266. 266. The establishment of VOTEC in 20 technical institutes is to address the problem of non-availability of modern equipment and plant facilities. Eight of the centres will be completed by the end of this year at a cost of ¢15.3 billion.

267. 267. The Ghana Education Service will continue to deal with drug abuse, alcoholism, the scourge of HIV/AIDs and STDs under the School Health Education Programme. An amount of ¢2.6 billion has been allocated to support the programme.

268. 268. Government policy on expanding access to tertiary education training will be pursued. To this end the Wa and Bolgatanga Polytechnics will be assisted to start HND programmes.

269. 269. The total allocation to the Ministry of Education in 2002 is ¢ 1,800.0 billion which is 70.0 per cent of the total allocation to the social services sector.

Ministry of Health

270. 270. In 2001, the Ministry of Health sought to expand coverage and improve the delivery of quality health service.

271. 271. Significant improvements were made in public health delivery, including immunization coverage and access to health services of the aged, under fives and pregnant women. An encouraging level of 49.2 per cent of supervised deliveries was achieved as against a target of 45.0 per cent. The increase in people exempted from paying for services in the cash and carry scheme contributed to Out Patients Department attendance per capita rising to 0.5 instead of a target of 0.4. Reported cases of guinea worm infection reduced from 7,402 in 2000 to 3,678 in 2001.

272. 272. Negotiations for access to antiretroviral drugs and therapy for HIV/AIDs patients were completed. The Government signed a five-year contract with Boehinger Ingelheim Company to supply Nevirapine tablets for prevention of mother to child transmission of HIV. A linked sports and immunization festival was organized and a new vaccine launched in Accra during which 2,636 infants were immunized for the first time with the new vaccine.

273. 273. A draft Bill on Health Insurance was initiated during the year. A Health Insurance Fund is included in the bill.

274. 274. Civil works were completed on the regional hospital at Sunyani and installation of equipment was on-going. Phase 1 of work on the maternity and children's blocks of the Komfo Anokye Teaching Hospital was about 45 per cent completed, while installation of equipment was on-going at the central OPD of the Korle-Bu Teaching Hospital.

Outlook for 2002

275. 275. The focus of attention this year will be on seven specific areas of service delivery. These are HIV/AIDs and STDs, malaria, guinea worm, tuberculosis, reproductive and child health, expanded programme of immunization and emergency care.

276. 276. The programmes to achieve improved quality in service delivery include:

- promoting equity of health by focusing on diseases that affect the poor;
- abolition of the cash and carry system will be carried out in a phased manner to avoid any undesirable effect on the financing of the health sector;
- renewed efforts will be made to intensify anti-HIV/AIDS activities in the country with inter-sectoral action and advocacy among political, traditional and business-leaders;
- prevention of Mother-to-child HIV/AIDS transmission and post-exposure prophylaxis will be introduced; and
- collaborative efforts will be made to provide an effective ambulance strategy to cover emergencies in the country.

277. 277. In the 2002 investment programme, greater efforts will be placed on the expansion of training institutions and the provision of staff accommodation as a step towards attracting staff to these areas. Nurses Training schools in Ho, Kumasi, Mampong, Sekondi, Korle-Bu in Accra, Cape Coast, Tamale, Koforidua and Bolgatanga will be the beneficiaries.

278. 278. During the year 16 health centers under construction at Sameyi, Nkroful, Jukwa, Agona Nsaba, Prang, Dromankese, Aprade, Agbogba, Old Ningo, Teshie, Mpaha, Abromase, Kologo, Chindiri, Poase Cement and Nkawie will be completed.

279. 279. Other health centers expected to be completed are at Mankesim, Abakrampa, Sewum, Akontombra, Adeiso, Pokrom, Ajena, Numereso, Anhiaso,

Kotokuom, Kwame Danso, Buada Ahenkro, Juapong, Anyanui and Adutor. Rehabilitation of health centers at Nkwantanum, Kumbungu, Savelugu, Tanoso, Binaba, Sapeliga and Doninga will also be carried out.

280. 280. A new district hospital at Sogakope will be completed this year, while construction of the Gushiegu and Begoro hospitals will be started.

281. 281. Upgrading of health centers to district hospitals at New Edubiase, Nkwanta, Juabeso, Bimbilla and Dodowa will continue. Other district hospitals to be upgraded this year are at Manhyia, Asamankese, Atebubu, Tumu and Nadowli.

282. 282. It is expected that by the end of the year the following key targets will be achieved:

- children fully immunized – 70.0 per cent;
- proportion of supervised deliveries – 55.0 per cent;
- contraceptive prevalence (in CYP terms) - 520,000;
- OPD attendance per capita - 0.5; and
- maternal mortality rate (per live births) - 190/100,000.

283. 283. A total amount of ¢699.4 billion cedis is provided for the Ministry of Health for the year 2002. The amount represents 27 per cent of the total budgetary allocation for the Social Services sector.

Ministry of Manpower Development and Employment

284. 284. A nationwide registration exercise of the unemployed was undertaken in 2001 to develop a profile of all applicants. Under the initiative 1,000,000 jobseekers were registered.

285. 285. In the area of youth development, 16,942 youths were given training in various vocational skills by National Vocational Training Institute (NVTI), Opportunities Industrialisation Centre (OIC), Integrated Community Centre for Employable Skills (ICCES), the Department of Social Welfare and Management Development and Productivity Institute (MDPI), while 650 youth were also offered counselling in other vocational skills.

286. 286. The Department of Social Welfare investigated 101 social problems, handled 126 probation cases, adopted 28 orphans, supervised 198 Day Care Centres and registered 25 new ones.

287. 287. The Ministry also inspected 3,600 industrial premises and registered 100 new ones. Safety awareness was also created in 48 workplaces and 12 training programmes were organised in Occupational Health and Safety.

288. 288. The Department of Co-operatives, registered 192 new co-operatives and groups.

289. 289. A draft Labour Bill which is expected to pave the way for the establishment of a Labour Commission was submitted to cabinet.

Outlook for 2002

290. 290. The Ministry will pursue the following programmes and projects: -

- expand existing vocational skills training facilities and increase the in-take in vocational institutions by 60 per cent;
- develop and disseminate baseline labour market statistics on Ghana and design interventions for solving the problem of unemployment among the youth;
- establish a Co-operative Development Fund to assist co-operatives and small groups to start their own businesses; and
- establish a National Labour Statistics Centre in order to improve upon the collection, storage, analysis and dissemination of labour statistics in Ghana.

291. 291. For the implementation of the programmes of the Ministry of Manpower Development and Employment in 2002, an allocation of ¢27.7 billion has been made.

Ministry of Women and Children Affairs

292. 292. The Ministry sought to champion the cause of women and children through the promotion of gender equality and child development in order to achieve economic, social, cultural, health and educational empowerment. As part of this, in 2001, a consultative seminar and workshops were held to sensitise institutions, stakeholders and the public on the mission and programmes of the new ministry.

293. 293. In line with the vision and programmes of the Ministry, District Committees have been established in 40 districts nation-wide to ensure that children's issues were adequately addressed.

294. 294. A Women's Development Fund in support of women, with an initial estimated capital of US$3.0 million, sourced from development partners, was launched in December 2001.

295. 295. Renovation of the former American Embassy building for use as offices of the new ministry started in October.

296. 296. A training of trainers workshop was held to educate the police on the Children's Act including children's rights.

297. 297. Recognising the negative impact of HIV/AIDs infection on women and children, awareness campaigns were undertaken in 6 regions.

Outlook for 2002

298. 298. The thrust for the year will be on poverty reduction through the upliftment of women.

299. 299. Research will be conducted on income generating projects for women in 9 deprived districts, namely Nzema West, Asante-Akim South, Nkwanta, Jaman, Twifo-Heman, Lower Denkyira, Bongo, Asutifi and Asuogyaman using teachers in the communities for data gathering.

300. 300. During the year, a micro credit scheme to service income generating activities of women in all the 10 regions will be established.

301. 301. A programme will be implemented to promote gender equity through increased women's participation in decision-making processes using sensitisation seminars in 4 metropolitan assemblies and 10 district assemblies for 250 women at 25 per district.

302. 302. Five community-based awareness raising durbars on HIV/AIDS as well as breast cancer will be organized by December 2002. In addition, consultations will be held with related health professional bodies on gender and children.

303. 303. The Ministry of Women and Children Affairs has been allocated an amount of ¢ 6.7 billion for its activities in 2002.

Ministry of Youth and Sports

304. 304. In 2001, progress was made in the following areas:

- establishment of a Distance Education Programme for Youth Development in collaboration with the Commonwealth Youth Programme, and the Africa Centre at the Institute of Adult Education, University of Ghana;
- work continued on the multi-purpose office complex for National Youth Council Headquarters in Accra;
- the Wassa Amenfi Youth Leadership Institute in the Western region was completed;
- the Black Stars participated in the Africa cup of Nations and the FIFA World Cup qualifiers;

- ▪ the Black Queen's participated in the qualifying series of the World Cup and African Championship;
- ▪ the Black Satellites participated in the FIFA Under-20 World Championship in Argentina; and
- ▪ the first phase of upgrading of facilities at the National Sports College, Winneba was completed.

Outlook for 2002

305. 305. The programmes and activities to be undertaken by the Ministry are as follows: -

- ▪ rehabilitation of the existing Youth Leadership Training Institutes in the country;
- ▪ completion of Youth Leadership Training Institute in Nalerigu in the Northern Region; and
- ▪ preparation and participation in the Commonwealth Games.

306. 306. Provision has been made for the preparation and participation of all national Football Teams in various qualifying matches for International football competitions as indicated below:

- ▪ Black Stars to participate in the African Cup of Nations (CAN 2004) qualifying matches;
- ▪ Black Queens to participate in qualifying matches for the 2004 Olympic Games scheduled to take place in Athens, Greece and for the Women's version of the African Cup of Nations competitions;
- ▪ Black Meteors to participate in the Olympic Games Qualifying matches;
- ▪ Black Satellites to take part in the qualifying matches for the African Under 20 Youth Championship in 2003; and
- ▪ Black Starlets to participate in the qualifying matches for the African Under 17 Youth Championship.

307. 307. This year, the National Sports College at Winneba will be upgraded into a full training center for coaches and sports administrators.

308. 308. Work will commence on the phase 2 of the rehabilitation works at the Accra and Kumasi Sports Stadia.

309. 309. A provision of ¢400.0 million has been made for work to continue on the National Youth Resource Centre Multi-purpose hall complex at Kaneshie and for the rehabilitation of two resource Centres in Tamale and Sekondi this year.

310. 310. Health education remains an important component of youth development programmes. In this regard, attention will be paid this year to the prevention of HIV/AIDS, and the health implications of premature pregnancy and parenthood.

311. 311. For 2002, the Ministry of Youth and Sports has been allocated ¢ 23.3 billion for the implementation of its programmes.

PUBLIC SAFETY SECTOR

312. 312. The socio-economic well being of the state hinges on good governance. This abiding principle has always been central to the NPP tradition.

313. 313. In 2001, actual expenditure was ¢529.7 billion as against the planned expenditure of ¢502.6 billion which was revised to ¢433.0 billion. The actual showed an increase of 5.0 per cent over the planned and an increase of 22.0 per cent above the revised planned expenditure.

314. 314. An amount of ¢720.6 billion has been programmed for the Public Safety Sector in 2002 as compared to the planned expenditure of ¢502.6 billion for 2001. This amount is 10.0 per cent of the total allocation to the broad sectors, and represents 43.0 per cent increase over the 2001 allocation.

Judicial Service

315. 315. The performance of the Judicial Service in 2001 in promoting the rule of law, improved access to justice and an efficient and faster administration of justice led to the achievement of the following:

- establishment of three Pilot Fast Track Courts in the Supreme Court Building in Accra; and
- procurement of office equipment to enhance efficiency.

Outlook for 2002

316. 316. The Judicial Service has been allocated an amount of ¢49.7 billion for its activities.

317. 317. The Service will extend the Automated Fast Track High Court process to the regions with 2 to be fully automated in Kumasi and Sekondi and 9 to be semi automated in other regional capitals by 30th June 2002 at a cost of ¢3.6 billion.

318. 318. The fast track process will be introduced in the Juvenile and Family Tribunals as a first step towards the application of an automated court management system.

319. 319. The following activities will also be carried out:

- refurbish 10 court registries to make them fit for automation; and

- improve, stock and equip the Supreme Court Library with books and on-line services.

Ministry of Justice

320. 320. In 2001, the Legal Sector Reform Project helped to bring about a 77 per cent reduction in the backlog of civil, commercial, land and other cases as against a target of 74 per cent.

321. 321. Three thousand copies of Ghana Law Reports covering the period 1993-1995 were published.

322. 322. The Serious Fraud Office completed investigations into 70 per cent of all cases reported.

Outlook for 2002

323. 323. The Ministry of Justice aims to improve the speed of adjudication of both civil and criminal cases and will therefore embark on a recruitment drive of State Attorneys. It is expected that between 2002 and 2004, 110 Attorneys will be recruited. The Ministry will also recruit private prosecutors to assist in disposal of criminal cases. A comprehensive training programme shall be implemented to sharpen the skills of existing State Attorneys.

324. 324. To ensure effective coordination and monitoring of the Ministry's activities in 2002, a local area network will be procured and installed in the Ministry this year.

325. 325. The operations of the Registrar-General's Department will be computerized this year. This will facilitate the process of business registration and the search for information on registered businesses.

326. 326. The Ministry will also use the services of experienced private legal experts to compile and publish the backlog of Ghana Law Reports.

327. 327. For the implementation of its programmes, ¢24.5 billion has been made to the Ministry of Justice.

Ministry of Interior

328. 328. In 2001, the Ministry established an inter agency body consisting of all security agencies to share information and experiences and exchange ideas on the maintenance of internal security. To this end, the following activities were undertaken:

- Police – Army night patrols were established to help in the maintenance of law and order;
- the Police Service recruited 800 personnel against a target of 1,000 to increase the number of service men to combat crime and maintain order;
- the police service purchased communication equipment to further enhance operations;
- Ghana Prisons Service acquired various agricultural equipment to improve its agricultural capacity.
- twenty-one Toyota Tundra vehicles and 38 fire tenders were purchased for the Ghana Police and Ghana Fire Services respectively; and
- the training school of the Ghana Immigration Service at Assin Fosu was completed.

Outlook for 2002

329. 329. Security is important for the democratic process and economic advancement. It is for this reason that ¢348.6 billion has been allocated to the Ministry of Interior for the year 2002 for its programmes. This amount showed an increase of 71.1 per cent over last year's allocation.

330. 330. The Ghana Police Service will recruit about 1,000 new personnel by the end of the year while arrangements are in place to make available to the Service 400 vehicles and communication equipment.

Mr. Speaker, you will recall that to give effect to this, Government recently acquired 50 vehicles for the police on very concessional terms, with the intervention of the President of Nigeria. An additional 300 vehicles will also be purchased for the police on similar concessional terms. Apart from these government will further purchase more vehicles from domestic resources to augment the fleet to a level which will reflect the high priority Government accord to the Police Service.

331. 331. The Ghana Prisons Service will recruit 300 new personnel and establish a new open prison at Akwasiase in the Ashanti Region.

332. 332. The headquarters of the Narcotics Control Board will be completed by the end of the year and will open new offices at Aflao, Elubo and Sampa.

333. 333. The national surveillance system on disasters will be established.

334. 334. The Ghana National Fire Service will recruit and train 500 new personnel.

Ministry of Defence

335. 335. In order for the Government to benefit from the organisational ability, technical skills and the discipline of the Ghana Armed Forces, a programme for capacity building of the unemployed youth, was developed by the Ghana Armed Forces in 2001.

336. 336. In its continuous effort to enhance the efficiency of active Service Personnel, the Ghana Armed Forces Staff College in 2001 was affiliated to the University of Ghana to run a masters degree programme in international relations.

337. 337. The Armed Forces Housing Project continued in 2001 and ¢4.0 billion was released for payment of work done.

338. 338. The Ghana Armed Forces initiated jungle revival re-forestation, by planting 25,000 assorted trees and also undertook disaster management operations in 2001.

Outlook for 2002

339. 339. Programmes and activities to improve on the professional and administrative capabilities of the Ghana Armed Forces in 2002 include:

- improving communication within the armed forces building at Burma Camp to reduce the heavy reliance and the cost associated with the use of telecom direct line system;
- developing the information technology capacity of the armed forces which is an important requirement for the UN peace keeping operations in present-day human resource development;
- commencement of civil works on the Naval Dockyard at Sekondi as a prelude to upgrading the slipway to facilitate maintenance of ships locally;
- continuation of rehabilitation works of the Armed Forces Barracks Project; and
- Improvement of infrastructure at the Kofi Annan International Peacekeeping Training Centre.

ADMINISTRATION SECTOR

340. 340. For the Administration sector, actual expenditure of ¢1,141.7 billion was incurred as against the allocation of ¢2,206.1 billion which was revised to ¢1,734.7 billion. The actual expenditure was 48.0 per cent less than the planned and 34.0 per cent less than the revised allocation.

341. 341. The Administration sector has been allocated ¢1,470.0 billion which is 20.0 per cent of the broad sector allocations and compared to planned

expenditure of ¢2,206.1 billion in 2001,showing a decrease of 33.4 per cent over the 2001 allocation.

Ministry of Local Government and Rural Development

342. 342. Under the Local Government Development Project and the Urban Environmental Sanitation Project, the Ministry of Local Government and Rural Development in 2001, provided urban infrastructural services such as markets and lorry parks. In addition, work on the Subin Drainage in Kumasi and an abattoir in Tamale was continued.

343. 343. Government policy of improving the infrastructural and institutional base of district capitals saw the completion of water supply projects at Ejura, Kintampo and Nkoranza.

Outlook for 2002

344. 344. The Ministry will pursue actions aimed at deepening the decentralization process and widening access of the general citizenry to political authority and improving their involvement in the process of governance. To this end, draft bills are currently under preparation for the review of the Local Government Law 1993, (Act 462) and for the establishment of the envisaged Local Government Service.

345. 345. Action will also be taken, in the course of the year to operationalise all the sub-district structures.

346. 346. The process of consultation and consensus building with a view to finalising the fiscal decentralisation policy will be continued during the year.

347. 347. A national programme for the improvement of pest/vector control will be designed and initiated in selected districts during the course of the year to back-up the Roll Back Malaria Programme. The Expanded Sanitary Inspection and Compliance Enforcement Programme of the Ministry will be strengthened.

348. 348. The Ministry will continue to provide and upgrade infrastructure such as town roads, markets, lorry parks and drains in the five primary cities and 12 selected urban settlements under its Urban Development Programme. Notable works to be completed during the year include the Subin drainage in Kumasi, the Odaw drainage in Accra and an Abattoir in Tamale. Similar infrastructure will be provided for an additional 25 towns under the Urban V Project during the course of the year.

349. 349. The Promotion of District Capitals Programme will also be continued in 2002, to upgrade and provide socio-economic infrastructure in beneficiary

districts. District Capitals and other settlements with population of over 5000 inhabitants in 10 districts in Ashanti and Brong-Ahafo Regions will benefit from the provision of markets, lorry parks, schools, clinics and water systems.

350. 350. The Department of Community Development will continue with the programme of facilitating the entry of women's groups into small-scale commercial/artisanal and entrepreneurial ventures.

351. 351. About 2,500 young women will receive formal vocational training and 1,200 women's groups will be equipped with skills from the Department's Mass Education Programme, to enhance their economic opportunities. Rehabilitation works will continue in 10 of the Department's training institutes.

352. 352. The Department of Births and Deaths will increase the coverage of registration of births and deaths from 52 per cent and 22 per cent to 80 per cent and 35 per cent respectively during the year. Work on providing office accommodation for the regional offices of the Department will continue.

353. 353. For the 2002 financial year,¢175.5 billion has been made to the Ministry to implement its programmes.

Ministry of Finance

354. 354. The specific achievements of the Ministry of Finance in 2001 include the following:

- The VAT Service recruited and trained 67 personnel and acquired new computers to improve tax collection.
- The Information Support Service Unit has now been fully decentralised throughout the VAT offices.
- The Internal Revenue Service upgraded the Mataheko sub-district to district status to improve tax collection while 3 new sub-districts were opened at Abeka La Paz and New Town in Accra and Kwadaso in Kumasi.
- The Customs, Excise and Preventive Service training of trainers programme for the automation of customs procedures and Ghana Community Network (GCNet) has been completed.

355. 355. The Automation of warehousing facility project has taken off in James Town where the bulk of the warehousing transaction takes place. Other warehouses including private bonded warehouses will be hooked onto the system when the GCNet/GCMS takes off.

356. 356. The Customs outstation at Hamile has been wired to receive power from the national grid.

357. 357. Construction of baggage examination sheds at Elubo has been completed.

Outlook for 2002

358. 358. The Ministry of Finance has been allocated an amount of ¢234.7 billion to carry out its programmes.

359. 359. The 4-storey Financial Information Centre for the Ministry of Finance, which could not be completed last year, will be completed this year to facilitate the installation of the BPEMS hardware and software.

360. 360. Work on a national Wide Area Network (WAN) will commence during 2002. The WAN will allow MDAs throughout the country to share financial data.

361. 361. The VAT Service will undertake a comprehensive enforcement exercise in the year 2002. To this end, the public education exercise will be intensified and award schemes instituted to improve compliance.

362. 362. CEPS will implement fully its revenue collection automation systems to reduce leakages through the application of the GCMS/GCNET Computer Systems at KIA and CEPS headquarters. The Service will also procure vital logistics such as tents, camping equipment, raincoats, boots, communication gadgets and vehicles to enhance efficiency and effectiveness.

363. 363. The IRS will acquire new computers for its headquarters, the district and research offices and procure vehicles to improve revenue collection.

Ministry of Economic Planning and Regional Co-operation

364. 364. The achievements of the Ministry of Economic Planning and Regional Co-operation in 2001 include the following:

- completion of the framework of the GPRS under the guidance of the ministry;
- establishment of the Emergency Social Relief Fund (ESRF) as part of the poverty reduction programme which benefited about 2,610 small-scale fishmongers; and
- finalisation and dissemination of the output and action programmes of the National Economic Dialogue for implementation.

Outlook for 2002

365. 365. To further strengthen intra-community trade and economic cooperation the Ministry will hold bilateral discussions on the implementation of a Minimum Agenda for Action and undertake Monitoring Missions on the ECOWAS relating to the implementation of the Trade Liberalisation Scheme and the proposed Free Trade Area.

366. 366. An amount of ¢20.9 billion has been provided for the Ministry to implement its programmes.

The National Development Planning Commission

367. 367. A comprehensive development framework, which will reflect the President's vision and development agenda, will be prepared in 2002 for presentation to Parliament.

368. 368. A databank will be established in 2002 to store information for socio-economic planning. This will be a prelude to the establishment of a comprehensive monitoring and evaluation system to track the effectiveness of the GPRS. In this regard, NDPC will be designing a monitoring and evaluation system to effectively monitor the indicators and targets set in the GPRS. The monitoring will be at two main levels:-

- implementation processes; and
- final poverty reduction outcomes and impact.

Ministry of Foreign Affairs

369. 369. The Ministry was instrumental in hosting an ECOWAS meeting in combating corruption and repatriating funds looted by politicians from Africa.

370. 370. Ghana used its Diplomatic Machinery to canvass for the re-election of the UN Secretary –General, Mr. Kofi Annan and the election of Dr. Ibn Chambas as ECOWAS Executive Secretary.

Outlook for 2002

371. 371. The Ministry using its diplomatic missions as centres of economic and business diplomacy will seek to undertake the following:

- promotion and protection of the interest of Ghanaians outside Ghana and encouraging investment in Ghana by Ghanaians abroad; and
- promotion of Ghana as an important partner in good governance and a haven for private sector investment.

372. 372. An amount of ¢200.5 billion has been provided for the Ministry of Foreign Affairs for the implementation of the country's foreign policy.

Office of Parliament

373. 373. The history of the refurbishment of Job 600 for the use of Members of Parliament as office accommodation has been very chequered. Monies allocated for this project have been misapplied in the past resulting in delays in completing the project.

374. 374. In view of the important role Parliament plays in the development of our democracy and pursuit of good governance, the Government is arranging funding to complete the project within two years.

Realignment of Sector Expenditure and Recalculation of Broad Sector Shares

375. 375. Mr. Speaker, the discussions in section five, which I have just completed, described sectoral allocation of resources on the basis of the functional classification as prescribed by the MTEF process. This implies that the sectoral allocations are purely on an administrative basis. As an example, the Police Hospital budget is allocated to the Police Service under the Ministry of the Interior – Public Safety broad sector.

376. 376. Consequently, in estimating sectoral allocation of resources, one would tend to "understate" the true expenditures on Health Services, while "overstating" the true expenditures on Public Safety.

377. 377. A better analysis of the distribution of resources to the broad sectors is presented in Table 1, which involves a proper reclassification of expenditures.

378. 378. As indicated in the Table, in 2001, the sectoral shares for the five broad categories Administration, Economic Services, Infrastructure, Social Services and Public Safety were 26.7 per cent, 15.4 per cent, 17.1 per cent, 32.6 per cent and 7.8 per cent respectively.

379. 379. In 2002, however, there is a remarkable shift in planned expenditures towards the Social Services Sector and the Infrastructure Sector.

380. 380. The sectoral shares in 2002 are projected at 17.1 per cent, 18.0 per cent, 18.8 per cent, 36.0 per cent and 9.5 per cent for the Administration, Economic Services, Infrastructure, Social Services and Public Safety respectively.

381. 381. These shifts are informed by the objectives in the medium term strategy as outlined in the GPRS.

POVERTY REDUCTION

382. 382. Reduction in the incidence of poverty among Ghanaians has continued to be the focus of Government development policy. Having opted to take advantage of the HIPC Initiative, Government proceeded to finalise the GPRS as one of the conditions for accessing debt relief, which is expected to be utilised to supplement Government efforts at poverty reduction.

383. 383. The main goal as stated earlier, is to ensure a sustainable and equitable growth, accelerated poverty reduction and protection of the vulnerable and the excluded within a decentralised democratic environment. In the medium term, the target is to reduce the incidence of national poverty from 39 per cent to 32 per cent, extreme poverty from 27 per cent to 21 per cent and poverty among food crop farmers from 59 per cent to 46 per cent by 2004.

384. 384. In 2001 Government allocated a total of ¢1,979.5 billion representing 31.3 per cent of total discretionary expenditure for the provision of basic services for the poor. Out of the total allocation, ¢1,525.4 billion was Government of Ghana contribution. The bulk of the Government contribution (72.3 per cent) was allocated to basic education, primary health care including free medical attention for vulnerable groups and for selected diseases, the provision of safe water in the rural areas and the reduction in the rate of HIV/AIDS infection.

385. 385. It was estimated that HIV/AIDS had infected about 3-4 per cent of the adult population of Ghana. By May 2001, it was reported that there were 47,444 cases full blown AIDS with a higher incidence among the 25 to 34 year group. This trend required a national response that resulted in the design of a comprehensive national strategic framework and the establishment of the Ghana AIDS Commission under the Office of the President.

386. 386. The AIDS Commission disbursed ¢2.5 billion to cover the establishment of its offices and to discharge its functions including the co-ordination of the multi-sectoral HIV/AIDS interventions and the organization of the World AIDS Day.

387. 387. Diphtheria, Polio and Tetanus (DPT) coverage improved from 80 per cent in 2000 to 83.8 per cent in 2001, while the percentage of children who were fully immunized was 68 per cent in 2001.

388. 388. The incidence of guinea worm infection dropped significantly by about 50 per cent from 7,402 reported cases in 2000 to 3,678 cases in 2001. Safe water coverage in the rural areas was still 40 per cent. Education on water and sanitation issues was intensified.

389. 389. Provisional statistics indicate that primary school enrolment dropped in both public and private schools between the 1999/2000 and 2000/2001 academic

years by 4.5 per cent. The drop was however less with girls at 3.9 per cent than with boys at 4.9 per cent.

390. 390. As a prelude to the implementation of the GPRS, the Government instituted the Emergency Social Relief Programme (ESRP), which was launched by the President in July 2001. The ESRP sought primarily to reduce poverty among the poor by increasing employment opportunities through the provision of credit to micro and small-scale enterprises.

391. 391. About ¢2.0 billion was disbursed by the end of the year to 2,610 fishmongers from 25 communities in Greater Accra, Central, Western and Volta Regions to purchase and sell or process and store fish.

Outlook for 2002

392. 392. This year, Government is committed to tackling the issue of poverty more systematically and comprehensively through the implementation of the GPRS.

393. 393. In this first year of the implementation of the GPRS, Government has allocated ¢3,133.7 billion representing 34.4 per cent of total discretionary expenditure compared to ¢1,979.5 billion or 31.3 per cent of total discretionary expenditure for 2001. GOG contribution out of the total poverty reduction expenditure this year is ¢2,128.2 billion[1[1]], representing 68 per cent of the total poverty reduction expenditure.

These resources will be used to:

- improve access to basic education and health services;
- provide infrastructure; and
- address governance issues, including justice and public safety that directly benefit the poor and the vulnerable of the society.

394. 394. Reduction in the incidence of HIV/AIDS through sensitisation and the improvement of the quality of life of People Living With AIDS (PLW) and others affected by it will be vigorously pursued by the Ghana AIDS Commission.

395. 395. This year, Government will continue with the ESRP as a vehicle to reach majority of the poor small-scale producers and distributors. About ¢4.0

Appendix Table 6 – Planned Poverty Reduction Expenditure by Sub-Sector, 2001-2002 in Billion Cedis (GOG Only).

Appendix Table 7 - Planned Poverty Reduction Expenditure by Source, 2002 (GOG and Donor).

billion is earmarked to support 4,000 food crop marketers throughout the country to enable them purchase foodstuff from the food producing areas in the hinterland to the urban centres.

396. 396. Other ESRP activities in the year will include improving farm production infrastructure, for very poor communities in selected locations and supporting a number of agro-processing micro enterprises with production credit.

2000 Population and Housing Census

397. 397. The success of poverty reduction strategies depends to a large extent on accurate data.

398. 398. The 2000 Population and Housing Census is the tenth in the series since 1891 and the fourth in post-independence Ghana. It is the first to combine a population census with a housing census and also the first to be published on the basis of the current 110 districts.

399. 399. The results of the 2000 Population and Housing Census indicate a population head count of 18.8 million, an increase of 53.3 percent over the 1984 count of 12.3 million and representing an intercensal growth rate of 2.6 percent. The population figure also yields a density of 78.9 persons per sq. km; while this may indicate no great pressure of population on land, the pressure on resources and consumption items is enormous.

400. 400. The sex composition and age structure of the population are a reflection of known demographic trends. Females constitute 50.5 percent of the 2000 population, compared with 50.7 percent in 1984. The age structure is also typical of less developed economies, which are characterized by a large proportion (40.8%) of children (<15 yrs) and a small proportion (5.3 per cent) of elderly persons (>64 yrs).

401. 401. The regional distribution of the population from the census is as follows:

Table 2: Regional Distribution of Population

402. 402. Non-Ghanaians constitute 4.0 percent of the population, while Ghanaians by birth or parenthood make up 92.1 percent of the population, with 3.9 percent being Ghanaians by naturalization.

403. 403. For poverty reduction strategies to be effective, there is the need to take district specific concerns into account. For this reason, results of some selected variables are available to assist planning at that level. A report on district profiles will be prepared in due course. Two other publications of interest to the districts, The Administrative Report and the Gazetteer, which is a listing of all localities in the country, will be released before the end of March 2002. Other publications will be released at specific periods during the rest of 2002.

404. 404. Having released the final census results, the Electoral Commission should be ready to carry out its statutory duty of reviewing constituency boundaries to facilitate the realization of the democratic principle of equitable distribution of national resources and popular participation.

405. 405. Government funding of about ¢35.0 billion from 1985 to date represents three-quarters of the total census support. This shows the appreciation and commitment of Government for the kind of comprehensive data that a census generates. For this reason and for the need to return to the decennial time-series data needed for long term planning, Government proposes to initiate a bill in this House to ensure that censuses are conducted every ten years.

SECTION SIX:POLICY INITIATIVES FOR 2002

REVENUE MEASURES FOR 2002

406. 406. Revenue generation in Ghana has not kept pace with the developmental demands of the country. This is at a time when demands on Government to satisfy the socio-economic needs of the country are increasing. Various reasons have been identified as accounting for this state of affairs.

407. 407. It is the resolve of Government to tackle the issue resolutely to ensure that Government gets the projected revenues for its programmes and projects.

408. 408. This budget has therefore introduced new revenue enhancing measures that will enable the revenue collecting agencies achieve the targets set for them.

CUSTOMS EXCISE AND PREVENTIVE SERVICE (CEPS)

409. 409. The projected revenue for Customs Excise and Preventive Service in 2002 is ¢2,766.4 billion, an increase of 27.5 per cent over the actual collection for 2001 of ¢2,169.1 billion. To achieve this target, a number of new initiatives have been proposed as set out below:

Automation of Customs Procedures

410. 410. Government is to assist CEPS in the automation of clearing procedures through the installation of the Ghana Customs Management System (GCMS) and the Ghana Community Network (GC-Net), computer based information systems at Tema and Kotoka International Airport (KIA) and at the CEPS headquarters. The system will eliminate loopholes and other causes of revenue leakages, reduce physical contact between traders and Customs officers, simplify and streamline clearance procedures and ensure greater efficiency in clearing goods to achieve the target clearance period of 1-2 days. System testing is going on at KIA.

411. 411. The Ghana Commercial Bank and Ecobank have already subscribed to shares in the GC-Net Company, together with CEPS and SGS who are the technical partners.

412. 412. Other banks are being encouraged to come on board the GCNET.

The system is expected to be in place by the end of the second quarter of 2002.

Zero-Rated Goods

413. 413. Based on 2001 import values, it is estimated that about 22 per cent of all imports are admitted at zero per cent. This is considered very high by all standards and has big revenue implications for the country. Government has therefore decided to apply a 5 per cent import duty rate to a set of major product lines that are currently zero-rated and the application of a one per cent processing fee on all remaining zero-rated imports and on items attracting a 10 per cent concessionary rate. Items for educational, health and agricultural sectors will, however, continue to be exempted from the fee.

Dual Purpose Items

414. 414. To continue with the process of placing goods of dual nature under tariff of 5 per cent, goods admissible at zero-rate under chapter 98 of the Harmonised Systems (HS) Code would now attract a concessionary duty rate of 5 per cent, except those falling under the codes listed below:

- 9802.10B00 - Materials for the manufacture of agricultural implements and machinery;
- 9802.20W00 - Materials for the manufacture of machetes;
- 9802.30R00 - Materials for the manufacture of fishing nets;
- 9803.00K00 - Raw materials including packaging material for pharmaceutical products;
- 9803.10B00 - Raw materials for the manufacture of pharmaceutical containers;
- 9804.10W00 - Plastic granules imported by Cocobod;
- 9805.00B01 - Materials for the manufacture of mosquito coil;
- 9805.00B02 - Materials for the manufacture of mosquito nets;
- 9805.10N00 - Materials for disinfectants, fungicides, weedicides, weed killers, etc;
- 9806.00W09 - Materials for the manufacture or assembly of bicycles;

415. 415. Government is going to critically look into the activities of the fishing industry where collection of import duties and other taxes are abused very frequently.

Rationalization of Value System for Frozen Meat Products

416. 416. In order to minimize serious under invoicing, ensure good quality frozen foods and to provide support to the local poultry industry, CEPS will implement measures to ensure that correct taxes are levied on verified values for the poultry products, lamb/beef/buffalo and frozen pork parts respectively.

417. 417. In this regard, CEPS will collaborate with the destination inspection companies to update the values on these specified poultry and meat products on a regular basis to resolve valuation problems associated with these products.

Payment of Import Duty and Related Taxes by Non-Resident Ghanaians

418. 418. Payment of taxes and fees may be paid outside Ghana in advance by non-resident Ghanaians as assistance to those who have difficulty in arranging for payment for goods imported into Ghana.

419. 419. The Ministry of Finance, Bank of Ghana and CEPS will arrange with various Ghanaian embassies abroad to implement the scheme.

Export Duty on Lumber

420. 420. Following intensive discussions with the timber industry and experts in the forestry sub-sector, the Government has decided to reduce the export duty on lumber and use a new tax schedule as follows:

Product	Percentage (%)
Lumber	7
Rotary Veneer	3
Sliced & Curls Veneer	3
Plywood	3

Waiver on Import Duty on Insecticide Treated Materials

421. 421. In order to assist with the fight against malaria in the country, the Government has decided to waive the import duty on Insecticide Treated Materials (I.T.M.)

Waiver of V.A.T. on Salt

422. 422. In order to promote the development of the salt industry and support its export within the West African Sub-Region, VAT on salt is waived.
Government will be introducing measures to stimulate the processing of salt production for both the domestic and export markets.

Fees and Charges

423. 423. Government has revised CEPS fees and charges, some of which were instituted over 10 years ago. Accordingly, we shall put before this august House, for consideration proposed amendments to the existing CEPS Laws and regulations including CEPS Management Law 1993, PNDC Law 330 for the new rates to take effect as soon as possible.

Bonded Warehousing

424. 424. Experience over the years has shown that CEPS has had problems dealing with the insurance companies who issue bonds for warehouses.

425. 425. It has therefore been decided that henceforth only bonds issued by banks on behalf of bonded warehouses will be accepted by CEPS.

426. 426. A one-year moratorium will, however, be given to those who already have insurance bonds to convert same to bank bonds.

427. 427. All bonded warehouses are to be grouped transparently into two: Category A and Category B based on the turnover of the warehouses.

428. 428. The fee charged for registration of bonded warehouses has been increased to the cedi equivalent of $2,000 for category A warehouses and the cedi equivalent of $1,000 for category B warehouses.

429. 429. Renewal fees for bonded warehouses have also been revised upward to the cedi equivalent of $600 for category A and to the cedi equivalent of $300 for category B.

Over-aged Vehicles

430. 430. The bill on over-aged vehicles which was submitted to Parliament last year but was not considered will be re-submitted this year.

Security at the Ports

431. 431. Security at our ports of entry especially the Tema port needs to be enhanced. To this end, proposals have been put forward by CEPS to co-operate with Ghana Ports and Harbour Authority (GPHA) and the Ghana Police Service to intensify security operations at the ports.

432. 432. The Government has decided to explore the possibility of installing electronic surveillance systems.

433. 433. CEPS will also co-ordinate its coastal patrols with the Ghana Navy.

Revenue Losses Through Smuggling

434. 434. The single most important obstacle to the management of this economy is inefficiency in our revenue collection especially at the points of entry into Ghana through smuggling.

435. 435. Smuggling undermines local production, national revenue targets and consequently contributes to unemployment. Currently, textile companies in Ghana, are cutting production because of unfair competition with smuggled textile products.

436. 436. In view of the harmful effects of smuggling, the Government has decided to combat it at the point of sale. The following products will be targeted initially, among others:

- Wax prints;
- Batteries;
- Alcoholic beverages;
- Cigarettes;
- Detergents;
- Corned beef; and
- Hair products.

437. 437. We appeal to traders and local manufacturers to co-operate with the Government to fight this menace.

Post Clearance

438. 438. Trade facilitation requires that intervention by customs personnel in the clearance process is reduced. To detect and plug revenue leakages that may arise from this, post clearance review will be intensified.

Debt Recovery

439. 439. Outstanding debts owed CEPS amount to ¢97 billion of which 80 per cent represents penalties ranging between 100 per cent and 300 per cent. CEPS will intensify its debt collection efforts using all legitimate means.

440. 440. In this regard, CEPS will come out with guidelines that are rational and will reduce discretion.

INTERNAL REVENUE SERVICE (IRS)

441. 441. The IRS projects to collect ⊄2,520.0 billion in 2002. This represents an increase of 18.7 per cent over 2001 actual collections of ¢2123.7 billion. During the year, IRS will adopt the following revenue enhancing measures:

Acquisition of Capital Assets

442. 442. It has been observed that though businesses acquire capital assets almost every year, these acquisitions do not reflect on the incomes generated by them. They however claim capital allowances on them. To be able to determine companies which have acquired new assets in the course of the year and their values, IRS will come out with appropriate procedures.

Stamp Duty

443. 443. In order to promote growth of capital and investment, as well as to assist with the development of venture capital companies, Government has decided to reduce Stamp Duty on share capital from 2.0 per cent to 0.5 per cent.

Collection of Vehicle Income Tax by Ghana Private Road Transport Union (GPRTU)

444. 444. For some time now, Government has relied on the GPRTU to collect income tax from commercial drivers on its behalf. It has come to the notice of Government that the amounts collected by the GPRTU do not match the estimated revenues, based on the count of vehicles operating in the country. According to research carried out by IRS last year based on vehicle population, the estimated potential revenue should have been ¢28.0 billion, out of which GPRTU was able to collect only ¢5.6 billion.

445. 445. To improve upon revenue generation in this area, Government intends to introduce competition in the collection of these taxes. Invitation will be extended to collection agencies and institutions to bid for revenue collection in selected regions and districts on a pilot basis. The Government will introduce a monitoring mechanism to check the revenue raised from these sources.

Abuse of the Free Zone Concept

446. 446. Government has noted with concern the abuses that have characterised the operations of some companies in the Free Zone and consequently denied it of revenue. Government will therefore act accordingly to correct the situation.

447. 447. The activities of companies within the Free Zone will be effectively monitored to ensure compliance with the free zone regulations and guidelines.

Expatriates in the Free Zone

448. 448. Personal income tax exemptions for expatriates who work in the Free Zones Area are to be reviewed to minimise abuses.

Tax Exemption for NGOs

449. 449. Employees of NGOs who have hitherto not been paying taxes on their personal incomes will now be required to do so.

Internal Revenue (Amendment) Bill, 2002 and Internal Revenue (Amendment) Regulations, 2002

450. 450. A few provisions inhibiting effective collection of taxes and rectification of certain errors and omissions have already been tabled in the Internal Revenue (Amendment) Bill 2002 and Internal Revenue (Amendment) Regulations 2002. The amendments include the following:

- carry-over losses;
- foreign exchange gains and losses;
- withholding tax on rent;
- accumulated capital allowances; and
- vehicle income tax.

Value Added Tax (VAT) Service

Proposed Measures for 2002

451. 451. The VAT Service projects to increase revenue collections by 12.4 per cent from ¢1964.1 billion in 2001 to ¢2,207.7 billion in 2002. In order to achieve this target collection, the following policy measures will be implemented:

Tax on Professional Services

452. 452. The VAT Service will focus attention this year on taxable services provided within the finance and banking sector. These include:

- Management and consultancy services
- Equipment leasing
- Research and professional advice such as accountancy, investments and legal services.

Resource Issues of the Revenue Agencies

453. 453. Government recognises the constraints under which the revenue agencies operate and is determined to systematically improve the situation. Despite these constraints, we recognise the agencies' efforts, which resulted in

improved collections in 2001. It has therefore been decided that they should be provided with incentives that will make them further improve on their rates of collection.

454. 454. In furtherance of the above decision, and as is obtained in the industry in most parts of the world, all the revenue collection agencies are to be paid **up to 3 per cent** of their collections to cover personnel emoluments, administration, services and investment expenditures. The amount involved will also cover the expenses of the Revenue Agencies Governing Board (RAGB).

455. 455. The resource needs peculiar to specific institutions, however, will be addressed to make them function effectively.

Training of Staff of the Revenue Agencies

456. 456. Intensive training for professional staff of the revenue agencies has been identified as a critical factor for improving efficiency and professionalism in the administration of taxes. Efforts are being made to organise a suitable training school for CEPS, IRS & VAT Service.

457. 457. In the interim, it is proposed that facilities at the Banking College and the Training School of the Controller and Accountant-General's Department should be put at the disposal of the revenue agencies for their training requirements.

Non-Tax Revenue (NTR)

458. 458. A number of proposals are being considered for enhancing the mobilization of non-tax revenue with the objective of:

- providing a clear definition of what constitutes Non-Tax Revenue to MDAs; and
- improving the collection, accounting and reporting mechanism for NTR.

459. 459. It is hoped that these measures, when implemented, will increase the share of non-tax revenue as a percentage of GDP from 0.9 per cent in 2001 to 2.5 per cent this year.

460. 460. For effective monitoring, it is proposed that a Non-Tax Revenue Unit be established at the Ministry of Finance to monitor the collection and payment of the NTR into the Consolidated Fund. This Unit will have the following functions:

- Ensuring that institutions that can be self-financing by generating sufficient IGFs for their operations are moved from subvention status;

- Impressing on MDAs to form audit committees;

- Ensuring compliance with the policy on State Assets Management so that institutions generating income through the employment of state assets contribute to the Treasury; and

- Working with the Registrar-General's Department, the Judicial Service and all other MDAs, which generate internal funds to streamline lapses that have inhibited the realisation of their revenue generation potential.

MDAs to Retain Part of Internally Generated Fund (IGF)

461. 461. Government is to include in the revision of the Financial Administration Decree/Financial Administration Regulations (FAD/FAR) a provision, which will give the Ministry of Finance authority to permit qualified MDAs to retain part of their IGF for operational purposes. All MDAs who collect revenue above the targets set will be allowed to retain a portion of this amount in addition to what is normally allowed for operations. Appropriate measures will also be put in place to prevent abuse.

The Lottery Industry

462. 462. The NPP Government has sought to introduce measures to revamp agencies which are responsible for revenue collection. One such institution, is the Department of National Lotteries (DNL), once a major revenue earning institution, which has gradually become less significant in terms of its contribution to national revenue.

463. 463. Several reasons have accounted for this poor performance, prominent among which are:

- legal regulations which allow the establishment of private lotto companies which compete with DNL;

- fraudulent winnings and other corrupt practices within the industry.

464. 464. As explained at other fora, the Lotteries Business is the preserve of the State in many countries. As soon as practicable, a bill will be placed before this House to repeal PNDCL 223 and restore the monopoly of the State. Steps will be taken to minimise loss of jobs in the industry.

Forensic and Management Audit of Public Institutions

Mr. Speaker,

465. 465. In the year 2001 budget statement, Government indicated it would conduct forensic and management audit on the operations of several public institutions.

466. 466. Audit of eleven institutions was completed during the year. The reports catalogued a range of violations and malfeasance leading to huge financial losses to the state to the tune of ¢3,136.5 billion.

467. 467. Government has initiated both civil and criminal actions to retrieve all such funds lost to the state.

FINANCIAL SECTOR

The Bank of Ghana Act, 2002 (Act 612)

468. 468. The Bank of Ghana Act, 2002 (Act 612) which revises the legislation governing the Central Bank with the view to making it more independent and vesting it with the requisite powers to perform its functions effectively has received Parliamentary approval and Presidential Assent.

469. 469. The Act includes provisions that refocus the operations of the Bank of Ghana to ensure that the maintenance of price stability, the formulation and implementation of monetary policy and support for the general economic policy of the Government are key functions of the Bank.

470. 470. As an indication of Government's commitment to fiscal discipline, the Act limits total government borrowing to an amount not exceeding 10 per cent of total revenue at the close of the fiscal year in which the advances were made.

471. 471. To enhance transparency in the government securities market, the Bank intends to publish sales targets for the various maturities of available bills for subscription. This would help the government to plan the maturity profile of its domestic debt.

472. 472. In order to improve the regulatory framework for the banking industry, a new Banking Law would be promulgated which will include new Payments System Bill, Cheques Bill and Anti-Money Laundering Bill. These laws are necessary for the development of an internationally, competitive banking industry in Ghana. It is expected that action will be taken expeditiously on the necessary legislation as and when the bills are submitted to Parliament.

473. 473. Government has already instituted plans for a fundamental re-allocation of investment resources to the poor through the Poverty Alleviation Fund (PAF), the Emergency Social Relief Fund (ESRF), and the Women's Development Fund (WDF). These resources are to be channelled primary through rural banks and other institutions that can reach the poor.

474. 474. In the connection, the APEX BANK for rural banks which is due to start operations by June this year and which government has vigorously promoted will improve the capacity of rural banks to support even more effectively, Government's whole investment programmes in poverty reduction.

National Insurance Commission

Mr. Speaker,

475. 475. In most countries, the insurance industry plays an active part in the mobilization of long-term capital for investment. It is the intention of Government that the insurance industry in Ghana be enabled to play a similar role in the development of our economy. To achieve this objective, the following policies and activities will be pursued in this financial year:

- The National Insurance Commission (NIC) will put in place policies which will strengthen the industry financially and ensure a systematic transformation of insurance service delivery to internationally acceptable levels.

- Enforcement by the Commissioner of CEPS of Section 63 (1) of the Insurance Law 1989, which requires that all imports into the country be insured by locally-registered insurers to revive marine cargo insurance.

- NIC will launch a programme this year to ensure that private commercial buildings, such as hotels, discotheques, cinema houses, shopping malls, schools and other places such as churches where the public congregate are insured against fire and natural disasters.

PUBLIC FINANCIAL MANAGEMENT

476. 476. Although the Public Financial Management System has undergone some reform, much remains to be done and it is the aim of government to further improve the system. The vision of government is that financial management in the public sector should:

- Enable the government make informed decisions on the allocation of its scarce financial resources;
- Ensure that financial plans are implemented according to government decisions and expectations; and
- Ensure that all relevant guidelines and regulations are used correctly in order to secure acceptable accountability and transparency in the use of public funds.

477. 477. Government has identified a prioritised number of problems which are to be addressed with the co-operation of our development partners.

478. 478. In addition, Government proposes to strengthen a number of areas as basic requirements to strengthen planning, budgeting, expenditure monitoring and control. These include:

- Organizational reforms within the Ministry of Finance, including the establishment of Tax Policy, Non-Tax Revenue and Treasury Units;
- Designing of a government cash management system under the PUFMARP Programme;

- Recruitment of qualified accountants, training of existing staff on modern accounting procedures, provision of equipment and logistics for monitoring of activities at the Controller and Accountant General's Department;
- Capacity development of the Ghana Audit Service and internal audit;
- Design of a modern tax system, including the Tax Identification Numbering project; and
- Design and development of financial management systems and capacity at the local government level.

Financial Administration Decree/Financial Administration Regulations

Mr. Speaker,

479. 479. As part of the reform programme under the Public Financial Management Reform Programme (PUFMARP), the Financial Administration Decree (FAD) SMCD 221 1979 and the Financial Administration Regulations (FAR) LI 1234 have been revised. In addition to the on-going financial reform programmes, there is the need for the financial regulatory framework to address gaps and conflicts in existing financial laws and regulations.

480. 480. The revised FAD provides for financial statements to be prepared in accordance with generally accepted accounting principles and practice. In addition, the Controller and Accountant-General in consultation with the Auditor-General has been mandated to decide on the most suitable accounting basis and policies which reflects best practice.

481. 481. The FAD has been revised in accordance with the 1992 Constitution. The revisions include the following: -

- Definition of public funds;
- Payments out of the Consolidated Fund;
- Public Property;
- Procurement of goods and services by MDAs from only VAT registered companies.

Public Procurement Reform

482. 482. Public procurement accounts for 50-70 per cent of imports and about 80 per cent of government expenditure. Therefore any improvement in the public procurement system has a direct beneficial effect on the economy.

483. 483. To supplement the financial administration law and regulations, Government embarked upon a public procurement reform as an integral part of the wider Public Financial Management Reform Programme (PUFMARP). The

purpose of the public procurement reforms is to establish a national procurement system to guide the use of state funds for procurement of goods, works, and services, as well as disposal of stores and equipment.

484. 484. The new legal framework is to ensure that public procurement is conducted with due attention to economy and efficiency, and value for money. The proposed law will apply to all public and private entities that use public resources for their procurement.

485. 485. The draft legislation on procurement is ready for Cabinet for consideration. The Procurement Bill will be placed before Parliament during the second half of this year.

Expenditure Control Measures

Mr. Speaker,

486. 486. In 2002, a Public Expenditure Monitoring Unit (P.E.M. Unit) will be set up within the Budget Division to implement expenditure control measures as follows:

- the regulation that all recruitment will be based on Establishment Schedules determined at Manpower Hearings by the Office of the Head of Civil Service (OHCS) for MDAs and ultimately seek financial clearance from the Ministry of Finance will be vigorously enforced; and

- MDAs will be required to publish staff lists based on Establishment Schedules.

487. 487. Commencement Certificates will continue to be a requirement for starting work and renewed annually for on-going projects, based on provisions made in the budget.

488. 488. Field inspection of MDA projects and examination of Interim Payment Certificates submitted to Ministry of Finance continue to reveal several project implementation irregularities resulting in Government not getting value for money such as:

- overstatement of completed stage of work;
- request for payment of work not yet done;
- unauthorized variation of scope of projects; and
- high price fluctuation claims for which no attempts are made to justify**.**

489. 489. As part of measures to control and manage expenditure, Government will:

- terminate the contract of any consulting firm (including the state owned ones) that contributes to the irregularities;
- surcharge contractors and all others who collaborate with the Consultants in project malpractices; and
- streamline time and other rates that vary widely and appear to be applied to Government projects indiscriminately.

Special Audit of the Public Payroll to Eliminate Ghost Names

Mr. Speaker,

490. 490. In the presentation of last year's budget, we had indicated that we will improve the integrity of Government payrolls. In this regard, a committee made up of the Security Agencies, the Auditor-General and the Controller and Accountant-General was constituted to find a lasting solution to the problem, including staff head count.

491. 491. Initial results of the staff head count indicates that:

- The value of the bank payslips exceeded the records on the salary payment vouchers (during the five months period – July to November 2001) by ¢21.9 billion.

- In some MDA's there are still 2000 "employees" no longer in the service of government who are still on a government payroll. In this regard, the Controller and Accountant-General is to take steps to delete these names by June 2002.

492. 492. These initial results also show that the 10 per cent estimated by the Minister of Finance as the unearned/ghost salaries was grossly understated.

493. 493. The process is on-going and is expected to be completed by June 2002.

TECHNICAL CO-OPERATION

Mr. Speaker,

494. 494. In the coming years, and in line with our development goals, technical co-operation (TC), mobilisation and utilization for capacity development will be streamlined and captured effectively in the budget. The Government will,

therefore, come out with policy guidelines for TC mobilisation and management to ensure that Ghana derives the maximum benefit from these resources for building the capacities of not only individual Ghanaians but to take advantage of a multiple of development institutes including higher education, public, financial and private sector institutions.

495. 495. Technical Co-operation mobilisation and utilisation will also be programmed on the lines of the MTEF, on a three-year rolling basis. This should provide a guide to our identified capacity requirements for development partner support. Under this arrangement, all sectors of the economy especially the social sector will have to provide information for incorporation into a TC Programme document.

496. 496. There were some initiatives in the past, which are currently not functioning. These initiatives will be examined to identify the problems encountered in the past, provide solutions where possible, and where necessary refine those initiatives or reintroduce TC management into the budgetary arrangements of government.

497. 497. It is our wish as well that we receive our development partners' assistance in the design and implementation of programmes in the key thematic sectors which the Government has outlined. These are Infrastructure, Agricultural and Rural Development, Health and Education, Good Governance and Private Sector Development.

498. 498. The donor community is invited to accord the nation meaningful assistance by way of increased grants, competent and experienced technical assistance personnel.

SOCIO-ECONOMIC DEVELOPMENT OF THE ONCHO-FREE ZONE (OFZ)

Mr. Speaker,

499. 499. The Oncho-Free Zone of Ghana is located in the three Northern Regions. The area has large tracts of fertile land suitable for cereal, legume, tuber and tree crop production. It also has a high potential for cash crops such as sheanuts, cashew, soya bean and cotton.

500. 500. As a first step to opening up the area for development, the Government requested the Food and Agriculture Organisation (FAO) of the United Nations for assistance to formulate a Pilot Investment Project. The project seeks to revamp agriculture, improve processing and storage, marketing, education, health delivery, sanitation and development of infrastructure. The document is being finalised and $5.4 million will be sourced from donors for its implementation. This will constitute Phase I of the overall OFZ Development Programme.

COCOA INDUSTRY

501. 501. The Government has committed itself to improving the cocoa industry through increased farmer incomes and improved husbandry methods. To this end, a number of initiatives have been taken by Government to realise these objectives.

National Cocoa Diseases and Pests Control Programme

Mr. Speaker,

502. 502. The Government approved ¢80 billion to finance the Cocoa Diseases and Pests Control Programme in year 2001. A National Co-ordinating Committee is co-ordinating the implementation of the project which involves control of capsid and blackpod diseases.

503. 503. The 2001 project created about 22,000 jobs for the youths in the local communities of Ashanti, Brong-Ahafo, Central, Eastern, Western and Volta Regions.

504. 504. Being the first of its kind in more than two decades, the implementation experienced some operational difficulties. These difficulties have been noted and are receiving due attention so that they do not recur during the 2002 cocoa spraying exercise.

505. 505. The Programme which will cover approximately 1.23 million hectares of cocoa under cultivation will be continued this year. Government has approved of ¢178.4 billion for the programme which is expected to start in the latter part of May, 2002 with black pod control. Capsid control will start in August 2002. The exercise will continue up to October, 2002. The structures set up in the districts to co-ordinate the 2001 spraying exercise are in place to provide the necessary support.

External Marketing of Cocoa

506. 506. As part of the Government's objective of liberalising the external marketing of cocoa, the licensing of private companies began last year. Adequate safeguards have been put in place to ensure that companies that are licensed to export cocoa are qualified and competent to do so and that they satisfy all the requirements for external marketing. Government intends to accelerate the process to ensure that competition and efficiency are brought to the cocoa industry for the benefit of the cocoa farmer.

Cocoa Processing

Mr. Speaker,

507. 507. A number of companies have indicated their intention to establish cocoa processing factories in the country. Government intends to provide the required support and incentives to facilitate the efforts of these companies since it is in line with its objective of increasing the share of cocoa beans processed in the country from about 20 per cent to 40 per cent within the next three years.

508. 508. To further improve the operations of the Cocoa Processing Company Ltd. (CPC) and increase trading activities on the Ghana Stock Exchange, Government has decided to put on sale 25 per cent of the shares of the company.

Cocoa Board Scholarship Fund

509. 509. In order to ensure that a lot of wards of cocoa farmers' are given scholarships to pursue secondary education, the Cocoa Board Scholarship Fund is to be increased by ¢5 billion for 2001/02 cocoa season.

Rehabilitation of Feeder Roads in Cocoa Growing Areas

510. 510. To ensure that cocoa purchased is evacuated to the various take-over points on motorable roads, Cocobod has provided ¢8.9 billion to the Road Fund for the repair of some feeder roads in the cocoa growing areas.

Increase in the Producer Price of Cocoa

Mr. Speaker,

511. 511. The Government is committed to increasing the farmers' share of the f.o.b. price of cocoa every year to reach a target of 70 per cent by the 2004/2005 season. Currently, the farmer enjoys 67 per cent of the FOB price. Since taking office last year, the Government has increased the producer price of cocoa by 35 per cent from ⊄3,872,000 per tonne to ⊄4,384,000 per tonne.

512. 512. Government has been actively and regularly reviewing the variables in determining producer prices. Following such a review, Government has decided to increase immediately the producer price of cocoa from ⊄4,384,000 per tonne or ⊄274,000 per bag of 62.5 kg to ¢6,200,000 per metric tonne or ¢387,500 per bag of 62.5 kg. This constitutes an increase of 41.0 per cent over the current price.

SECTION SEVEN :HIPC INITIATIVE

The HIPC Initiative

Mr. Speaker,

513. 513. In March last year the Government took a bold decision to take advantage of the Enhanced HIPC initiative.

514. 514. The decision which President J.A. Kufuor took in March to request debt relief from Ghana's creditors has already borne fruit in the past year. Once the eligibility of Ghana to apply for HIPC relief had been established, we were able to suspend debt service payments to bilateral donors which brought budgetary savings of about US$190 million i.e. ¢1,368 billion in FY 2001.

515. 515. In the medium-term i.e. 2002-2004 Ghana expects to save on the average over US$200.0 million per year on account of the Enhanced HIPC initiative i.e. about US $ 650.0 million for the period. For 2002, this consists of US$153.0 million in traditional debt relief and US$96.0 million from Enhanced HIPC debt relief. Out of the approximately US$100.0 million savings from the Enhanced HIPC debt relief government has decided to use US$20.0 million to reduce its domestic debt and the balance of US$80.0 million on poverty reducing programmes and activities. Cabinet will in due course take a decision on the specific programmes and activities.

516. 516. Experience in the management of the problems of highly indebted countries has shown that the application of the basic "Naples terms" may not be enough in some cases to afford a sustainable pattern of debt carrying capacity into the future. Accordingly, the enhanced HIPC initiative permits the creditor countries and institutions to conclude one-on-one agreements with each HIPC-eligible creditor in order to help rebuild its credit-worthiness and prevent a relapse into debt crisis. The process is expected to be completed by end May 2002.

517. 517. The maximum concession that a creditor can offer to help an entrapped debtor country is of course to forgive 100 per cent of its prospective debt service obligations. Fortunately for Ghana, there are already indications, some of them publicly announced by the governments of the nation's principal creditors, that they will grant 100 per cent relief from repayment of the principal and interest on eligible debts which are incurred with their government and private sector entities before the cut-off date of 20th June 1999.

518. 518. Between the Decision Point and Completion Point, the so-called interim period, government will implement a set of policies, which will serve as triggers for the approval of the Completion Point after which the full benefit of the Enhanced HIPC initiative will be realised.

519. 519. The possible negative effects of President Kufuor's HIPC decision related to three main issues, and it is healthy in a democratic polity that civil society organizations like Jubilee 2000 should have been able to caution the government on them.

520. 520. The first danger was that the promised debt relief would be minimal or even non-existent. Skepticism is always in order. But a respectable intellectual argument cannot simply ignore the detailed and readily ascertainable terms of the international undertakings, which the creditor countries have made towards one another under the HIPC initiative. These agreements among creditor countries are clearly designed to grant tangible relief to debtors on a basis which they consider equitable among themselves. The relief is real in dollars and cents, however minimal it might be in the aggregate.

521. 521. The "Naples terms" provide an automatic entitlement to relief from 67 per cent of the interest and debt repayments that are due from the debtor to all creditor countries, which are party to that agreement. There is simply no difficulty concerning the application of those engagements among the creditors themselves, which have ever been recorded. Ghana is not the first HIPC country. The doubts raised by the critics of HIPC on this aspect simply have no factual foundation whatsoever. It is a pity therefore that, in place of identifying specifics on the reality and magnitude of HIPC relief, critics of President Kufuor's decision resorted to vague, unsubstantiated suspicions on such matters.

522. 522. The second argument against the NPP government's decision related to the central objective of Jubilee 2000 and similar pro-Third World advocacy groups: namely, that all the foreign debts of Ghana and other debtor countries should be summarily wiped clean off the slate of debtor-creditor relations by a singular act of unilateral renunciation by the creditors. That kind of idealistic proposition is morally attractive; but it is simply not negotiable in the real world of today.

523. 523. The debtor-creditor relations that are to be re-adjusted have arisen in a great variety of circumstances. Creditor countries are themselves in various and unequal states of ability to support the diverse levels of financial sacrifice by state, corporate and private entities that would be incurred under a uniform, blanket system of international debt reform or cancellation.

524. 524. The third argument related to the effect of debt forgiveness on our access to credit --- that Ghana would thereafter be cut off from new sources of development capital, or encounter higher costs on future borrowings, especially by the private sector. These forebodings have also turned out to have little justification in the experience that has been associated with HIPC initiatives around the world. The reduction in the debt service obligations of a country should in any case have been expected to lead to an increase in its capacity to

service future debts rather than the converse. And in fact, the experience with well-managed HIPC programmes demonstrates that credit-worthiness can be readily restored and maintained after debt relief.

525. 525. It is up to Ghana to so manage our fiscal and monetary affairs that, after the conclusion of the present HIPC negotiations, this country will be able to access the large volumes of loans and credits that are undoubtedly required to support the NPP government's aspirations for economic growth in Ghana.

526. 526. The bottom line on this national debate is that the HIPC decision of President Kufuor has proved to be a shrewd move in economic management, a resounding success in terms of solid financial gains, and a great shot in the arm for the realization of Ghana's development agenda.

SECTION EIGHT:THE PRESIDENT'S PRIORITY AREAS

Mr. Speaker,

527. 527. The 2002 budget is guided by government's medium term priorities. These priorities were presented to the nation by His Excellency President John Agyekum Kufuor as part of his State of the Nation Address to Parliament. They are:

- Infrastructural development;
- Modernised agriculture based on rural development;
- Enhanced social services with emphasis on Health and Education;
- Good governance; and
- Private Sector development.

Infrastructure Development

Mr. Speaker,

528. 528. The objective of Government policy in this sector is to open up the country, introduce competition and create an enabling environment for the Private Sector. This year, we intend to:

- Initiate the construction of three major highways: Accra-Yamoransa; Accra Aflao; and Accra-Kumasi. This will open up the country and link it up with the trans-ECOWAS highway project. It will ensure that Ghana is able to take advantage of the opportunities from West African economic integration and will lead to the creation of jobs;

- Select one major road to a productive area in every region that links the rural areas of the region for rehabilitation or development to open up the country for investment, increase productivity and create jobs;

- Accelerate the further development of our ports (Tema, Takoradi and inland ports) through private sector participation to make them competitive for global trade;

- Re-negotiate existing telecommunications agreements to introduce more competition and accelerate access to telephones, internet and information technology in general throughout the country; and

- Take all steps necessary to increase the availability of energy to boost industrial growth and production. This includes the West Africa Gas Pipeline, the Bui Dam, the expansion of the thermal plant at Takoradi and increased use of solar energy.

Modernized Agriculture Based On Rural Development

Mr. Speaker,

529. 529. Government's objective is to develop the country to become an agro-industrial country by the year 2010. This will require the development of the rural economy. Consequently, we will undertake to:

- Reform land acquisition to ensure easier access and more efficient land ownership and title processes;

- Assist the private sector to increase the production of grains such as rice, maize and tubers so that we can achieve self-sufficiency. This will include extension and research services, irrigation facilities and support to the farmers;

- Encourage the production of cash crops such as cashew; and

- Support the private sector to add value to traditional crops such as cocoa.

Enhanced Social Services

Mr. Speaker,

530. 530. The objective in this priority area is to enhance the delivery of social services to ensure locational equity and quality, particularly with regard to

education and health services. Towards this end, Social Services Policies in 2002 will seek to:

- Change the educational pattern to ensure that there is uninterrupted education for all Ghanaians from pre-school to age 17 to reduce poverty and create the opportunity for human development;
- Develop model senior secondary schools in every district in the country;
- Develop model health centres for every district in the country; and
- Replace the cash and carry system with a more humane and effective system for financing health care.

Good Governance

Mr. Speaker,

531. 531. The objective for this priority area is to:

- ensure the rule of law and the strengthening of the three arms of government, the executive, judiciary and the legislature;
- Enhance social order by improving the Police Service, equip them with vehicles, communications equipment and technology, enhance training and increase their numbers;
- Strengthen the capacity of the Office of the Attorney-General and the judiciary in terms of numbers, technology, training and equipment in order to ensure the effective rule of law;
- Support the work of Parliament to enable the legislature contribute effectively to good governance; and
- Restructure the civil service to ensure efficiency, effectiveness and related performance-based compensation.

Private Sector Development

Mr. Speaker,

532. 532. The objective is to:

- Strengthen the private sector in an active way to ensure that it functions as the engine of growth and wealth creation for poverty reduction;

- Work with the private sector, both foreign and domestic as an effective development partner, provide impetus through the divestiture programme, provide financial support and streamline government bureaucracy so that we can create wealth at a faster rate in order to sustain poverty reduction in the country.

Mr. Speaker,

533. 533. While some of the activities and programmes of the five priority areas have been fully identified and funded in the 2002 Budget, through both HIPC and non HIPC resources, not all the activities are fully funded.

534. 534. Consequently, Mr. Speaker, in order for us to fully realise desired objectives, the Government intends to seek additional donor assistance.

535. 535. Mr. Speaker, towards that end, we have identified programmes and activities for which we are seeking donor funding in the amount of US$50.0 million.

SECTION NINE:CONCLUSION

Mr. Speaker,

536. 536. A year ago, I came before you to present an interim budget of the NPP administration. The aim of that budget was simple: to put our house in order by stabilising the economy. The immediate challenge was to reverse the economic imbalances that we inherited as the essential first step to laying the foundation to create a sane and sound macroeconomic environment.

537. 537. This august House played an honoured role and approved the interim budget and subsequently endorsed the mid-year review of the budget.

538. 538. Even with the most modest spending proposals, we faced a big hole in the budget. We took the decision that it was time our nation faced reality and so, in the words of His Excellency the President, in his State of the Nation Address,

- "We used honest budget numbers. We tackled the budget deficit that was driving us towards bankruptcy. We reined in government profligacy. We refused to spend money we did not have".

Mr. Speaker,

- We tightened expenditure monitoring and control.
- We decreased our domestic debt burden, giving us more room to focus on social spending.
- We made progress in clearing spending arrears that the previous regime had committed us to.
- We cleared the arrears on the District Assemblies Common Fund (DACF) and the Ghana Education Trust Fund (GETF).
- We increased our efforts at domestic revenue mobilization in ways that did not impose additional burden on Ghanaians.

539. 539. After a challenging year's stewardship, our economy is on the right track, certainly better than what it was at this time last year. It is important that we place on record our achievements to date, notably:

- Stabilisation of the value of the cedi;
- Continuous reduction in the rate of inflation;
- Keeping expenditures under control;
- Meeting revenue targets;
- Containment of domestic borrowing;

- Improvement of the overall fiscal outturn; and
- Introduction of strategic initiatives to improve the general economic environment, including the restructuring of the domestic debt.

540. 540. While we have made considerable headway, much more needs to be done.

541. 541. My fellow Ghanaians, the theme of this year's budget is **Towards Stability and Growth.** In the long term, our development policy will be informed by the broad strategies to be outlined in the **Coordinated Programme of Economic and Social Development Policies** to be presented by the President to this house later in the year.

542. 542. Mr. Speaker, the NPP Government does not only aim at poverty reduction through out the country but seeks to provide safety nets for those in the society who are disadvantaged for whatever reason. Government believes that the removal of **social inequalities** is a true indication of economic growth. Programmes will be embarked upon in the educational, health, water and sanitation sectors to ensure that gaps in the enjoyment of these facilities by all our people in all regions are bridged.

543. 543. In the medium term, the **Ghana Poverty Reduction Strategy Document** will inform our development policies. Our priorities are: Vigorous Infrastructure Development, Rural Development based on Modernized Agriculture, Good Governance, Private Sector Development, and Enhanced Social Services with emphasis on Education, Health, Women and Children.

544. 544. Mr. Speaker, our objectives for 2002 are modest:

- Improve the standard of living of ordinary Ghanaians by raising national output.
- Increase spending on social services that affect the day-to-day living of most Ghanaians, especially the vulnerable in society.
- Reduce inflation to 13% and in so doing increase the purchasing power of all Ghanaians.
- Increase our official reserve holdings to boost our collective sense of security in the event of unforeseen difficulties.

545. 545. Mr. Speaker, to take advantage of the benefits of instant communication in doing business and in education, we aim to accelerate access to telephones, Internet and information technology, and to introduce more competition in the telecommunications industry.

546. 546. My Speaker, we believe that our expenditure allocation for the 2002 budget reflects our priorities. We have shifted resources in favour of areas we consider priority. We have introduced in this budget specific policies to:

- Expand and upgrade infrastructure facilities;
- Increase food production in the short to medium-term;
- Increase the availability of energy and to promote energy efficiency and conservation;
- Energize rural development and enhance the capacity of entrepreneurs in the agro-processing industry;
- Re-invigorate the traditional emphasis on education;
- Promote science, technical and vocational studies to equip students with the requisite skills for the world of work; and
- Expand coverage and improve the delivery of health services.

547. 547. The reduction in debt service payments as a result of HIPC should enable us to concentrate on the provision of social services that most Ghanaians expect and value most.

548. 548. To support our expenditure commitments, we have introduced in this budget, new revenue enhancing measures and taken steps to provide incentive to revenue agencies to:

- Improve on the managerial and operational efficiency of tax collecting agencies.
- Bring into line fees and charges in the public sector some of which were instituted over 10 years ago and have never been revised to reflect economic realities.
- Apply a 5 per cent import duty on some product lines that are currently zero-rated.
- Propose amendments to existing CEPS Laws and regulations for new fees and charges to take effect.
- Increase compliance of small businesses in the payment of VAT.
- Cut down on revenue losses due to smuggling.
- Ensure that advertising companies charge VAT on advertising expenditures.
- Minimize abuses of tax concessions, especially on operations in the Free Zones.

549. 549. Mr. Speaker, I wish to express my appreciation to both sides of the House for the support I continue to enjoy from them; especially the Minority side who seem to do their duty of criticizing as expected of them but have always come to appreciate our efforts after we have explained our position clearly to them.

550. 550. Mr. Speaker, in his State of the Nation address this year, His Excellency the President reaffirmed our resolve and unflinching determination to make Ghana a better place to live, work, support our families and together, build a better country. Let both sides of this House march forward together in a spirit of national unity to seize the destiny which awaits Ghana.

551. 551. Mr. Speaker, that is what this budget statement is all about. It is focused, it is consistent with our economic development aspiration as a nation, it is human centred, realistic, forward looking and a true reflection of the manifesto from which our mandate from the people of Ghana is derived.

552. 552. Mr. Speaker, we have laid the foundation. This Budget seeks to restore hope to the hopeless, give inspiration to the demoralized, and encourage those who are doing well. With unity, we can achieve our goals. This is a Budget for growth, it is a budget for business and it is a budget that puts us on the road to prosperity for Ghana.

553. 553. Mr. Speaker, with the above in mind, I strongly believe, that, I have discharged my mandate to this august house and the people of Ghana both at home and in the Diaspora.

554. 554. Now that Ghana has satisfied the criteria of sound economic management, which enables our development partners to give our government a clean bill of health, we can proceed to the "decision point" under the HIPC arrangement.

555. 555. Mr. Speaker, I am happy to announce to this august House that Ghana will reach the Decision Point of the HIPC initiative tomorrow, Friday the 22nd of February, 2002.

556. 556. Mr. Speaker, I beg to move.

SECTION TEN:APPENDIX TABLES

Previous Budgets