2003 BUDGET STATEMENT

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2003 BUDGET STATEMENT (Part One)

The Hon.Minister of Finance, Mr. Yaw Osafo-Maafo has presented the 2003 Budget Statement to Parliament(full text).

SECTION ONE: INTRODUCTION
- AN OVERVIEW OF ECONOMIC POLICY AND BUDGET- FISCAL YEAR 2003

1. Mr. Speaker, it is a great honour for me to deliver to this august House on behalf of His Excellency President John Agyekum Kufuor, the third Budget Statement and Economic Policy of the NPP Government. On Thursday February 13, 2003, His Excellency the President delivered his State of the Nation Address. The President set out the Government's broad policy framework and shared his vision of how to ensure enduring success and prosperity for the nation. This broad policy framework and the President's vision informed the 2003 budget.

2. The Government in 2001 instituted the Emergency Social Relief Programme with the goal to reduce poverty.

3. The year 2002 marked the beginning of the implementation of the Growth and Poverty Reduction Strategy (GPRS) in our drive to become a middle-income country.

4. The GPRS identifies a comprehensive set of policies to support our medium-term strategy.

5. There are three key vehicles in pursuit of this strategy: first, is the maintenance of a solid macroeconomic framework, second, the pursuit of the five priority areas chosen for development, and, third, the President's Special Initiatives.

6. Mr. Speaker, in the two previous Budget Statements and Economic Policies, we began the process to better manage the economic affairs of this nation. We began to put in place the fundamentals that will enable us make progress in the five priority areas of the GPRS namely;

* the vigorous development of the infrastructure of the country, with special emphasis on roads, ports, transportation, energy supplies and information and communications technology;

* the development of a modernised agriculture based on rural development;

* the delivery of enhanced social services to ensure equity and quality, particularly in education and health;

* the strengthening of the institutions for good governance; and

* the strengthening of the private sector so that it can act effectively as the engine of growth.

7. The President's Special Initiatives (PSIs) are intended to stimulate private enterprise, improve productivity and create jobs.

8. Mr. Speaker, the 2003 budget is carrying these initiatives forward with specific programmes and activities. We are confident that this is our sure path to achieving higher rates of economic growth, increasing employment and thereby improving the living standards of all Ghanaians.

9. Mr. Speaker, even as we strive to implement our growth and poverty reduction strategy, the NPP Government has had to take some difficult, yet necessary steps so that our progress and gains made in one sector of the economy are not eroded because of the neglect in other areas of our economic life.

10. To borrow the words of the President in his State of the Nation address to this House a couple of weeks ago, we needed "to bite the bullet in a last ditch stance to free the economy for real growth".

11. Mr. Speaker, these hard decisions are not palatable to any Government. But, we have learnt something important for good governance: we should not underestimate the capacity of Ghanaians to analyze and to understand the difficult problems we face. It is our duty, indeed our responsibility as government to share information when we must and to explain the truth about the difficult problems which confront the nation.

12. Mr. Speaker, the NPP government is heartened to note that Ghanaians understand that the decisions about petroleum and utility price adjustments are not matters of electioneering campaigns. Rather, they understand that we must make these difficult but necessary decisions now so that future generations do not have to bear intolerable burdens because we knowingly refused to make the hard but correct choices.

13. It is better to conduct democratic politics in an open society that squarely faces up to the economic facts of Ghana's present and future than to shut our eyes in a falsely cocooned world of denial. The public response to the petroleum sector reforms and price

adjustments is a vote of confidence in a government which is fearlessly ready to do the right thing at the right time.

14. Mr. Speaker, many events affected our ability to manage our economic affairs effectively in 2002. The ongoing threat of war in the Middle East and the effect on oil prices continue to exert pressure on our foreign exchange reserves.

15. Within our own sub-region the security situation in the Ivory Coast, quite apart from creating an atmosphere of economic uncertainty that affects all of us, has also increased the flow of heavy duty vehicles on our roads with the attendant problems of increased expenditure on maintenance and on fuel imports.

16. On the domestic front, the challenges to sound economic management were numerous and difficult, and included:

* higher than expected payments by government for wages and salaries;

* the need to accelerate payment of arrears to road contractors and to SSNIT which had accumulated from the past;

* the need also to find much higher than programmed levels of subsidy to support public utility companies;

* considerable expenditures on security in troubled arrears of the country; and

* substantial short-falls in the remittance of official assistance from Ghana's developing partners.

17. Mr. Speaker, in spite of these challenges, and but for the moderate price in the inflation rate towards the end of the year, Government has been able to maintain its record of steadily improving stability in the fundamentals of the economic and rising levels in the average man's real standard of living.

18. Mr. Speaker, permit me to mention two other developments in the past year that speak to the confidence in government systems and in our management of the overall economy. First, there has been a surge of foreign exchange from mostly Ghanaians resident abroad in the form of remittances and investment.

19. Second, our developing partners have decided to provide untied aid in a common pool of resources as direct budgetary support to be managed at the discretion of the Government of Ghana. The expected amount of such support for 2003 is estimated at US$110 million (about ¢935 billion). This form of assistance is intended to provide Ghana with more predictable and flexible inflows of financial resources for the implementation of the priority areas of the GPRS.

20. This is a vote of confidence in the modest progress we have made towards the control and monitoring of public expenditures. Our development partners therefore are willing to coordinate among themselves through the Multi-Donor Budget Support (MDBS) to rely on government systems in delivering development aid. Our responsibility is to use these resources with due diligence and efficiency.

21. On our relationships with multilateral institutions, let me add that we have concluded negotiations for agreement on a three-year Poverty Reduction and Growth Facility (PRGF) with the International Monetary Fund (IMF) and this is expected to be submitted to the Fund Board in April, 2003. We have also concluded negotiations with the World Bank on the final version of the framework and costing of Ghana's Growth and Poverty Reduction Strategy. Government also has started negotiations with the World Bank on the Poverty Reduction Support Credit (PRSC). This is expected to be submitted to the Board of the Bank in May, 2003.

22. Mr. Speaker, this year's Budget continues the NPP Government's commitment to deliver a macro-economic environment that underpins our strategy for growth and poverty reduction. Keeping inflation low and stable is not enough, we will also

* accelerate the implementation of the priority programmes and activities identified in the GPRS;

* work towards the early attainment of Ghana's HIPC completion point; and

* intensify the rate of infra-structure development though public and private investment.

23. Mr. Speaker, the outlook for reduction in poverty has never been brighter, thanks to our targeted interventions and the sound use of 'HIPC Dividends'. We shall continue with the judicious use of the 'HIPC Dividends' as we have done in 2002, to bring to the people improvements in sanitation, water, health facilities, accelerated job creation and basic education. At the end of 2002, about ¢235.0 billion was committed to District Assemblies and through Ministries, Departments and Agencies (MDAs) for these specific HIPC interventions.

24. Mr. Speaker, in the management of the nation's finances, the 2002 budget sought to:

* strengthen our tax base;

* allocate resources toward priority areas in the GPRS;

* reduce significantly the debt burden; and

* develop a more effective interbank foreign exchange market.

25. We emphasized improvements in public expenditure management to ensure that the budget was implemented as planned.

26. Our vision is to continue to develop an effective and efficient domestic tax system. Despite the increasing cooperation of our development partners, our firm belief is that a government that 'earns' its revenues through a well-developed domestic tax system is better able to respond to the needs of its citizens even in the face of external shocks. The ability to raise revenue from within is a real test of the strength of our public finances.

27. On the expenditure front, we shall continue to make public expenditure management a transparent system that would emphasize accountability and close all possible loopholes. Despite the various problems we experienced this past year with respect to our expenditure commitment control systems, we will improve our control and monitoring systems through the use of strict cash management budgeting.

28. Mr. Speaker, we have been very conscious this year to translate the GPRS into the budget. The Ministry of Finance (MOF) together with the Ministry of Economic Planning and Regional Cooperation (MEPRC) have been working with the MDAs to bring them within the framework of the GPRS and the macroeconomic policy.

29. Mr. Speaker, the desire to create the "Golden Age of Business" continues to find expression in our public policy initiatives, in the development of strategies, and in the rebuilding of institutions. This year will see a re-doubling of our efforts to rebuild institutions that have for so long been left to decay. For example, we intend to re-equip the office of the Registrar General not only for its revenue potential, but, more important, for the fact that this institution has a role to play to ensure good corporate governance.

30. The 2003 budget is guided by the principle that the financing of all the programmes and activities to deliver the goods and services that Ghanaians value most must neither be inflationary nor lead to a debt overhang. More particularly, the implementation of the GPRS and its financing must not obstruct or crowd out the private sector in any way. The stance of fiscal and monetary policies in this budget reflects this cautious principle.

31. We should always bear in mind the need to support micro businesses and Small and Medium Scale Enterprises (SMSEs) to grow. It is our hope that domestic stakeholders and our development partners will be supportive in raising the additional resources needed to support the implementation of our growth and poverty reduction strategy.

32. Mr. Speaker, we live in an increasingly globalised world. The welfare of Ghanaians is not only dependent on what we have in Ghana, but also in a very large measure on what happens on the external front. It is therefore important that the 2003 Budget Statement and Economic Policy be viewed in the appropriate global context.

SECTION TWO: WORLD ECONOMIC OUTLOOK

33. Mr. Speaker, for the greater part of the year 2001, the world economy slipped into a recession. There was a general slowdown in the economic activities of the major industrialized economies. Despite the aggressive policy measures in the US and Europe

through interest rate cuts, tax cuts in some cases, and optimistic forecast, the year 2002 closed with a weak recovery.

34. Investment demand and consumer spending remain weak. Financial markets appear unsettled and weighing down growth. Investors' nervousness and the wide-ranging uncertainties in the world financial markets appear to be holding back prospects of recovery even in 2003.

35. The threat of war in Iraq and oil prices increasing above US$32 a barrel have dampened growth expectations in 2003. With the exception of Australia and Canada where growth is predicted to reach the 3 per cent mark, it is estimated that growth for the other major industrialized economies will hover around 1-2 per cent. Unemployment continues to rise in major economies.

36. Government fiscal deficits for the major advanced economies are forecasted to increase from 1.1 per cent of GDP in 2001 to about 3 per cent in 2002 and 2003. Governments in the advanced economies may be forced to make some tough fiscal decisions if the slowdown continues into 2003.

37. For developing regions, the World Bank's projection is that growth in 2003 seems certain to be weaker.

38. For 2003, the real GDP growth forecast for Sub Sahara Africa of 3.2 per cent is considerably lower than the 5.4 and 6.1 per cent growth for South Asia and East Asia, respectively. Our export growth is also likely to be adversely affected unless there is significant recovery in Europe, the major destination of our exports.

39. After falling to a three decade low in February 2000, the rise in cocoa prices is re-assuring. But, Mr. Speaker, the gains to us were rather modest because of the forward sales of our crop before the price rise begun in late 2002. We took lessons from the forward sales and adjusted our strategy in order to benefit from increasing world market price of cocoa. In 2003, we must use any price gains to improve on producer price for farmers and to build up reserves so that we will be in a position to stabilize domestic producer prices in the event of unanticipated price reversal.

40. For most other agricultural commodities, the prospects of price increases appear low. Palm oil prices continue to decline. Price recovery of tropical timber from the lows reached at the end of 2001 has been slow.

41. Like the price of timber products, price recovery of metals and minerals is not expected to be strong unless there is a significant rebound in the global economy. The rally in gold prices is not expected to endure. The good news is that rising price trends may stimulate investment in explorations and strengthen our output prospects in the future.

42. Mr. Speaker, the implications of these global developments and commodity price trends on our development efforts can be far reaching and merit attention. They decrease the income of exporters, weaken our trade balance, diminish our ability to build up reserves, and government revenues suffer.

43. Our challenge is to develop a broad-based strength in exports to insulate ourselves from fluctuations in the global economy. This has been the thrust of the NPP Government's export development and export promotion policy agenda and the major driving force behind the PSI. The strategies as noted in the Ghana Poverty Reduction Strategy include diversifying the production base of the economy:

* adding value to our exports;

* the range of products or the composition of exports in which Ghana is globally competitive; and

* the external markets for Ghana's products.

44. While these measures, including better marketing strategies for the country's non-traditional exports and cocoa beans, will not insulate Ghana completely from the unpredictable fluctuations in the world economy, they hold the prospects to minimize the negative impact of such shocks on export revenues, on personal incomes, on government revenues, and on the balance of trade and international reserves. But these measures take time to yield fruits.

45. Strengthening the internal management of the economy is the key and immediate avenue to minimize the adverse effects of global economic slowdown on the domestic economy. For one thing, countries with strong management of domestic finances, sound monetary and fiscal management policies stand a greater chance of minimizing the adverse effects of the global trends on the lives of their citizens.

46. Mr. Speaker, we are also mindful of the ever-increasing competition to attract Foreign Direct Investment (FDI). The competition is even more urgent in the light of global investor nervousness. Despite our rich natural resources, many factors continue to make the sub-region, an unattractive host to FDI. We will do the best to make Ghana a favoured destination of FDI.

SECTION THREE: MACROECONOMIC PERFORMANCE IN 2002

Overview

47. Mr. Speaker, against a background of strong efforts in 2001 to stabilise the economy from the effects of its poor performance in 2000, the 2002 budget aimed to further consolidate the gains in 2001 and achieve a continued reduction in inflation and a strengthening of economic growth. The budget sought to:

* strengthen our tax base;

* allocate resources (including HIPC relief) toward priority areas identified in the GPRS; and

* reduce the burden of domestic debt.

48. We emphasised improved public expenditure management to ensure that the budget was implemented as envisaged.

49. Notable progress was made in 2002 on a number of fronts:

* domestic revenue mobilisation was quite robust on the account of enhanced tax administration;

* in spite of larger-than-anticipated payments relating to wages and salaries, the overall expenditure ceiling was respected, that is, keeping within the Appropriations Act;

* year on year inflation which had been cut by about half in 2001 to 21.3 per cent, continued to fall to 15.2 per cent at end-2002; and

* the Bank of Ghana strengthened its gross international reserve position from the equivalent of 1.5 months of import cover at end-2001 to 2 months of imports at end-2002.

50. Mr. Speaker, considerable progress was made on our programme to modernise the legal framework for Ghana's financial sector. The divestiture process also began to move forward in late 2002, with the offer for sale of 40 per cent of the Government's shares in the Cocoa Processing Company (CPC), and substantial completion of the preparatory work for the sale of other "targeted" assets.

51. Mr. Speaker, during the year, government experienced several challenges in the management of the economy. These challenges included:

* higher-than-expected expenditures on wages and salaries;

* accelerated payments of arrears relating to both non-statutory and statutory payments;

* higher-than-anticipated subsidies to utility companies;

* higher expenditures to safeguard security in some sections of the country; and

* substantial shortfalls in expected foreign inflows.

48. The net effect of these challenges was a higher amount of government borrowing from domestic sources than was anticipated.

49. In spite of these challenges, however, government was able to maintain reasonable level of macroeconomic stability.

50. Mr. Speaker, with your indulgence, I would like to discuss developments in specific areas of the economy in more detail.

Overall GDP Growth

51. Provisional figures for fiscal year 2002 showed an overall GDP growth rate of 4.5 per cent, indicating the achievement of the target of 4.5 per cent set for the year. This compares with the real growth of 4.2 per cent achieved in 2001. This was accounted for by the strong out-turn in production of crops and livestock. The estimates indicate an expansion of 4.4 per cent in output for the broad Agricultural sector, compared to the 4.0 per cent growth rate in 2001. The Industrial sector output grew at 4.7 per cent compared to 2.9 per cent recorded in 2001 fiscal year. The Services sector showed a lower growth rate of 4.7 per cent compared to 5.1 per cent level achieved in 2001.

Sectoral Growth

Agriculture

52. The Agricultural sector grew at a rate of 4.4 per cent compared to 4.0 per cent targeted for the year. The Crops and Livestock sub-sector performed better than expected, accounting for the biggest contribution of 5.2 per cent in the growth rate for the sector. Cocoa Production and Marketing continued to record a negative growth rate. The growth in 2002 was negative 0.5 per cent, compared to the growth of negative 1.0 per cent in 2001. Thus, there was some improvement in 2002, partly attributable to the mass spraying exercise undertaken during the course of the year.

53. The Forestry and Logging sub-sector recorded 5.0 per cent growth as against the 5.8 per cent target. This was an improvement over the 2001 growth of 4.8 per cent. The Fisheries sub-sector grew at 2.8 per cent against 2.0 per cent in 2001.

Industry

54. The Mining and Quarrying sub-sector recovered from a low level of negative 1.6 per cent growth in 2001 to 4.5 per cent in 2002. The Manufacturing sub-sector grew by 1.1 percentage points from 3.7 per cent in 2001 to 4.8 per cent in 2002. Electricity and Water sub-sector grew at 4.1 per cent which was slightly lower than the 2001 growth of 4.2 per cent. The Construction sub-sector achieved a growth rate of 5.0 per cent as against 4.8 per cent in 2001.

Services

55. The Services sector achieved a growth rate of 4.7 per cent during the year under review. This compares with the growth of 5.1 per cent recorded in 2001. The low growth rate in 2002 is mainly attributable to a decline in Government Services sub-sector.

56. The Transport, Storage and Communications sub-sector recorded 5.7 per cent growth in 2002, compared to 5.5 per cent in 2001. Government Services sub sector grew by 3.6 per cent compared to 5.0 per cent in 2001. Wholesale and Retail Trade, Restaurants and Hotels sub-sector recorded 5.6 per cent growth compared to 5.1 per cent in the previous year. The Financial, Insurance, Real Estate and Business Services sub-sector grew at 5.5 per cent as against 4.5 per cent in 2001. Fiscal Developments

Receipts

57. Total receipts for 2002 amounted to ¢15,447.0 billion. This fell short of the target of ¢16,359.7 billion by ¢912.6 billion (5.6 per cent). Tax revenue amounted to ¢8,547.5 billion. This was higher than the budget target of ¢8,336.5 billion by 2.5 per cent on account of better-than-programmed performance by all the major tax sources, namely, direct taxes, value added taxes and import duties.

58. Direct taxes collected by the Internal Revenue Service (IRS) amounted to ¢2,795.4 billion, exceeding the budget estimate of ¢2,520.0 billion by 11 per cent. Provisional data indicate that all the tax sources under direct taxes performed better than projected.

59. Policy implementation and strategies which aided the Internal Revenue Service to exceed the target included limitation on the period for accumulated capital allowances, carry over of losses, disclosure of foreign exchange gains and losses, acquisition of depreciable assets, and intensive fieldwork.

60. Value Added Taxes yielded ¢2,308.8 billion, exceeding the target of ¢2,207.7 billion by 4.6 per cent, while Excise amounted to ¢368.3 billion against an estimate of ¢334.6 billion, an over-performance of 10.1 per cent.

61. In spite of these achievements, there are, admittedly, pockets of businesses that should have registered for VAT by law but have failed to do so. It is also recognised that some VAT registered businesses, especially in the hotel and restaurant industry and the retail sector, have been selective in charging the tax, in contravention of the VAT Act. A lot more fail to issue official VAT invoices.

62. The VAT Service employed various methods for dealing with the problem, including educating the public to insist on their VAT invoices.

63. Taxes on Petroleum fell short of the expected receipts of ¢1,118.7 billion by ¢38.7 billion or 3.5 per cent below target.

64. Under international trade taxes, Import duties recorded an outturn of ¢1,626.1 billion compared with a programme target of ¢1,313.1 billion, indicating an over performance of

23.8 per cent. Export duties comprising cocoa duties and levy on lumber exports fell short of target by ¢23.0 billion with an outturn of ¢364.6 billion.

65. The impact of measures introduced during 2002 for revenue enhancement reflected in higher import duty collections, despite lower import volumes and faster depreciation of the cedi. The measures included reducing the range of items admitted at either concessionary rates or exempt from import duty, re-categorisation of warehouses, the upward review of registration and renewal fees and a review of penalties and fees, all of which had become outdated with time.

66. The outturn for Non-Tax Revenue (NTR) of ¢252.4 billion was below the budget estimate of ¢449.1 billion. This apparent shortfall was as a result of a re-classification of items that constitute non-tax revenue. Under an exercise to clean up the composition of non-tax revenue, most of the revenue items, which hitherto were classified as NTR, were found to be unspent deposits and hence re-classified accordingly.

67. Divestiture receipts were lower than programmed in 2002. The annual outturn of ¢10.9 billion from divestiture was far below the target of ¢386.9 billion because of the inability of government to expedite action on the divestiture of some targeted assets. The delays in the divestiture programme were to allow for better asset valuations and to achieve greater transparency and efficiency.

68. Programme loan disbursements amounted to ¢159.6 billion, while programme grants were ¢558.3 billion, compared to the budget estimates of ¢724.8 billion and ¢588.3 billion respectively. The outturn for project loans was ¢1,185.1 billion as against the budget estimate of ¢1,999.4 billion. Similarly, out of the expected project grants disbursements of ¢922.8 billion, only ¢466.4 billion materialised.

69. Thus, overall, external programme support fell short of the expected amount by about ¢595 billion.

70. The low inflows of both project and programme loans and grants largely accounted for the substantial shortfall in total receipts in 2002.

71. Net domestic financing of the budget was ¢2,331.7 billion compared with the budget target of ¢139.0 billion. This was made up of government borrowing of ¢1,035.5 billion from the banking sector and ¢1,296.3 billion from the non-banking sector. To the extent that disbursements of foreign inflows did not materialise, government was compelled to over-rely on domestic financing of the budget.

72. Inflows from HIPC assistance in the form of grants from multilateral creditors amounted to ¢499.2 billion. This was higher than the programmed inflows of ¢471.0 billion.

73. Exceptional financing of the budget amounted to ¢1,242 billion. This was made up of traditional debt rescheduling of ¢1,451 billion, HIPC relief from non-multilateral

development partners of ¢252.0 billion, less the clearance of external payment arrears of ¢461 billion.

Payments

74. Provisional data indicate that total payments for 2002 amounted to ¢15,447.0 billion, compared with the target of ¢16,359.7 billion. This was made up of statutory payments of ¢6,676.0 billion and discretionary payments of ¢8,771.0 billion. Statutory payments fell short of the estimate by ¢218.6 billion and discretionary payments were also below estimate by ¢694.1 billion.

75. Under statutory payments, external debt service payments of ¢2,915.0 billion and domestic interest payments of ¢2,210.0 billion were made. These were higher than the budget estimates of ¢2,888.1 billion and ¢2,136.1 billion for external debt service and domestic interest payments, respectively.

76. On an accrual basis, external debt service due was ¢2,915 billion, while actual payments amounted to ¢1,677.0 billion. The difference of ¢1,238.0 billion corresponds to savings resulting from debt relief received under the HIPC initiative.

77. With regard to domestic interest, the apparent higher-than programmed payments was the result of the accrued interest resulting from the restructuring of the Tema Oil Refinery (TOR) debt into government bonds.

78. Transfers to households over the period amounted to ¢688.1 billion compared with the programmed amount of ¢713.3 billion. Out of the total amount, ¢311.3 billion went to pensions, ¢77.2 billion to gratuities and 302.6 billion as government contribution to social security, respectively.

79. A total payment of ¢332.4 billion was paid to the District Assemblies Common Fund (DACF), out of which ¢74.2 billion was in respect of previous year's arrears. The Ghana Education Trust Fund (GETF) also received a total of ¢336.9 billion including payments for previous year's arrears of ¢172.3 billion.

80. A total amount of ¢312.1 billion was transferred into the Road Fund, while ¢128.1 billion went to the various petroleum-related funds, namely Energy, Exploration, and Strategic Stocks.

81. Discretionary payments in respect of Personal Emoluments (PE), Administration and Service exceeded their respective budget estimates. The outturn for PE was ¢4,195.1 billion, against the budget estimate of ¢3,122.2 billion, indicating an overrun of ¢1072.9 billion and constituting about 47.8 per cent of total discretionary payments. With regard to Items 1-4 (Personal Emoluments, Administration, Service and Domestically-financed Investment), which are the appropriation allocated for direct use by Ministries, Departments and Agencies (MDAs), wages and salaries constituted 70.5 per cent.

82. Among the factors contributing to the wage bill overrun were:

* unbudgeted wage increases to staff in the Ministries of Health and Education, in part to stem mass exodus of staff and service disruption; and * Ministries, Departments and Agencies (MDAs), particularly, some subvented organisations, did not universally apply the established procedures for controlling wage and salary expenditures.

83. Expenditure on Administration and Service was above the estimate of ¢1,115.0 billion by ¢337.4 billion. The reasons for the overrun include unbudgeted increases in allowances, mostly to health workers.

84. A total payment of ¢209.6 billion was made for the clearance of certified road sector arrears. Payments for non-road arrears (excluding DACF and GETF), amounted to ¢428.6 billion. These include arrears owed to suppliers of goods and services to MDAs.

85. An amount of ¢449.9 billion was used to subsidise utility companies, including large unplanned payments to the Volta River Authority for oil imports, and partly for the settlement of cross-public enterprise liabilities between Ghana Water Company Limited (GWCL), the Electricity Company of Ghana (ECG) and the Volta River Authority (VRA).

86. An amount of ¢175.1 billion was disbursed to finance poverty reduction activities under the HIPC initiative.

Overall Balance

87. The provisional outturn shows that the overall budget recorded a deficit of 6.3 per cent of GDP, better than the budget estimate of 6.9 per cent of GDP. The domestic primary balance, however, registered a surplus, equivalent to 2.1 per cent of GDP, which was lower than the budget target of 3.1 per cent of GDP.

Monetary Developments

88. Monetary policy for the year under review aimed at achieving price and exchange rate stability as key elements in creating the environment conducive to the achievement of sustainable economic growth. Towards this end, the Bank of Ghana maintained the pace in the active pursuit of open market operations and reverse repurchase agreements.

89. To enhance the overall effectiveness of monetary policy, in January 2002, His Excellency the President signed into law the Bank of Ghana Act, which gave operational independence to the Central Bank. Under the Act, formulation of monetary policy has been assigned to a new Monetary Policy Committee, inaugurated in September 2002.

90. Early in the year, the Central Bank introduced the Prime Rate as an instrument to signal the Bank's assessment of inflationary pressures and, therefore, monetary policy stance. In pursuit of the tight monetary policy of the Bank, the Prime Rate was kept

unchanged at 24.5 per cent, which in the face of declining inflation, resulted in high real interest rates (about 10.0 per cent as measured by the effective yield on the 91 day Treasury bill). The high real interest rates helped to stem inflationary pressures in the economy.

91. Monetary developments in 2002 were however dominated by large injections of liquidity on account of the foreign exchange inflows from cocoa loan disbursements, particularly in the last quarter of the year and strong private sector credit growth. In the event, reserve money recorded a growth of 42.6 per cent, compared with 31.3 per cent in 2001. Broad money supply (M2+) also grew by 50.0 per cent, compared to 41.4 per cent in 2001.

92. Credit to private and public institutions by deposit money banks grew by ¢704.0 billion (11.5 per cent) in 2002, compared to an increase of ¢1,104.0 billion (21.9 per cent) in 2001. Significantly, credit to the private sector increased by ¢1,494.2 billion (33.2 per cent) while that to public institutions declined by ¢790.1 billion (48.0 per cent). The decline in credit to the public institutions was mainly on account of the conversion of ¢1,421.0 billion of TOR debt into Government of Ghana bonds during the year.

93. One notable development during the year was the decline in nominal interest rates, which was generally in line with the decline in inflation and inflationary expectations. The weighted average interest rate on the 91-day Treasury bill declined from 28.9 per cent in December 2001 to 26.3 per cent at the end of the year.

94. The commercial banks responded to this development by lowering lending rates. The average lending rate, thus, declined from 44.0 per cent to 38.5 per cent. Savings deposit rates also declined from an average of 14.5 per cent to 13.0 per cent, while the three months deposit rate fell from 23.3 per cent to 18.0 per cent. The 12 months deposit rate, on the other hand, remained unchanged at 20.0 per cent.

Consumer Price Developments

Inflation

95. Prudent fiscal management and the tight monetary policy stance in the management of the economy initiated in 2001 continued in 2002. These measures, coupled with the slow pace of depreciation of the cedi led to a further deceleration in the year to year inflation rate from 21.3 per cent in December 2001 to 12.9 per cent in September 2002. Thereafter, the rate increased to reach 15.2 per cent in December.

96. The average yearly inflation, on the other hand, consistently declined from a level of 32.9 per cent in December 2001 to 14.8 per cent in December 2002.

External Sector Developments

97. The policy objective for the external sector in 2002 continued to be the building up of external reserves to comfortable levels as a cushion against short-term external shocks.

98. To help achieve the reserve build-up, a vigorous policy of attracting foreign direct investment, as a means of promoting the development of exports was pursued, with the President of the Republic taking the initiative of marketing Ghana abroad. An Export Development and Investment Fund (EDIF), established by an Act of Parliament in October 2000 which became operational in July of 2001, deepened its operations in year 2002, to provide concessionary financing to exporters.

Balance of Payments Developments in 2002

99. Provisional balance of payments outturn for the year showed that the external sector performance improved, and broadly met our expectations at the beginning of the year. This improved performance of the external sector over that of 2001 was, primarily, due to an improvement in the trade account during the year.

100. Estimated total exports receipts (f.o.b.) in 2002 amounted to US$2063.9 million slightly higher than the target of $2036.8 million. This was achieved on account of favourable international prices for Ghana's major exports.

101. Cocoa exports receipts amounted to $463.4 million, marginally falling short of the target of $469.0 million expected for the year 2002. The average price per tonne of cocoa beans went up from US$1,021 in the 2001 to US$1,266 in 2002. The volume of cocoa beans exported in the year however fell from 310,476 tonnes in 2001 to 305,000 tonnes. The lower volume is attributable to smuggling and the onset of Black Pod and Capsid diseases during the 2001/2002 crop season.

102. The faster depreciating rate of the cedi relative to the dollar curtailed demand for imports in the country. Non-oil imports were US$2,197.0 million in 2002 as compared to US$2,451.7 million in 2001.

103. As a consequence of the developments above, the trade balance recorded a deficit of US$641.2 million (equivalent to 11.2 per cent of GDP) as against a projected deficit of US$821.6 million (equivalent to 14.0 per cent of GDP). In 2001, the trade deficit was equivalent to 20.6per cent of GDP.

Current Account Balance

104. The current account improved in 2002, due mainly to an improvement in the trade account. The current account, excluding official transfers, recorded a deficit of US$204.6 million (3.6 per cent of GDP), and including official transfers, there was a marginal surplus of US$15.6 million (0.3 per cent of GDP). The deficit on the current account (including official transfers) in 2001 was US$324.5 million (6.1 per cent of GDP).

Capital Account Balance

105. The capital account showed a net deficit of US$47.6 million as against a projected inflow of US$247.3 million. The surplus recorded on the capital account in 2001 was US$392.2 million. Overall Balance of Payments

106. The developments in the current and capital accounts resulted in an overall balance of payments surplus of US$39.8 million compared with a projected deficit of US$145.9 million. The overall balance of payments in 2001 registered a surplus of US$8.6 million.

107. Exceptional financing in 2002 was estimated at US$118.0 million. Thus together with the surplus on the balance of payments, net external reserves were increased by US$157.8 million. Gross external reserves were enough to cover 2.0 months of imports of goods and services at the end of the year.

Exchange Rate Developments

108. The rate of depreciation of the cedi increased in the review year on both the interbank market and the forex bureaux market as compared to 2001.

109. On the interbank market the cedi depreciated by 13.2 per cent from ¢7,321.94 to the US dollar at the end of 2001 to ¢8,438.82 to the US dollar at the end of 2002. This compares with the 3.7 per cent depreciation in 2001.

110. On the forex bureaux market, the rate of depreciation was higher, at 15.7 per cent. The cedi closed the year at ¢8,681.82 to the US dollar. At the end of 2001 the exchange rate of the cedi to the dollar was ¢7,322.73.

111. As a result of the increase in the rate of depreciation in the year, the differential between the inter-bank foreign exchange rates and the forex bureaux rates widened slightly.

112. Shortfalls in donor assistance and increased speculation on the part of market participants were the principal reasons why the rate of depreciation increased.

Developments in External Debt

Debt Stock 113. Ghana's total medium and long-term external debt including obligations to the IMF was US$6,131.3 million at the end of year 2002. This was made up of IMF debt of US$331.6 million and US$5,799.7 million for other multilateral, bilateral and commercial creditors. Of the total debt stock, 68 per cent was owed to multilateral institutions, 26 per cent to bilateral creditors (Paris Club and Non-Paris Club) and 6 per cent to commercial creditors.

New Loans Approved 114. During the year under review, 13 new concessional loans were approved by Parliament, amounting to US$176.76 million. On creditor

categorization basis, 63.32 per cent came from multilateral institutions and 36.68 per cent from bilateral sources.

115. Of this amount 5.5 per cent was contracted for infrastructure development, specifically the road and water sectors and 44.5 per cent for other poverty related activities. This borrowing trend reflects H.E, President John Agyekum Kufuor's five priority areas which are directly linked to the medium term priority areas and the GPRS.

SECTION FOUR: MACROECONOMIC FRAMEWORK - 2003

116. Mr. Speaker, this section of the Budget and Economic Policy Statement for 2003 outlines the medium-term objectives and policy framework through 2003-05, and sets out the government's economic and financial policies for 2003. These policies are consistent with the GPRS framework, and we are confident that their implementation will qualify the country for Completion Point status under the enhanced HIPC Initiative in the early part of 2004.

Medium-Term Objectives and Policy Framework

117. Mr. Speaker, in the light of developments in 2002, the revised medium-term macroeconomic framework aims at reducing by half the ratio of domestic debt to GDP (from its end-2000 level) by 2005. In addition to updating the medium-term envelope for fiscal operations and poverty spending, this intended to provide a more direct link between the assessment of the poverty situation, the identification of key measures to address poverty, and the prioritisation and costing of government programmes, all of which were developed with broad public consultation.

118. This facilitates the establishment of a direct linkage between the GPRS and the budget, and the identification of those additional spending programmes that could be implemented, should additional resources become available.

119. As highlighted in the GPRS, Ghana's basic infrastructure continues to remain in very poor shape. The building of roads, ports, and communication networks to open the country, and the provision of reliable energy to fuel the modernisation process and improve the lives of Ghanaians at a more rapid pace than was previously possible, have been the driving forces behind the NPP government's efforts to secure a predictable flow of external financing for infrastructure development. Accordingly, it is hoped that domestic stakeholders as well as our international development partners will be supportive in raising the additional resources that will be needed to fund our poverty reduction strategy.

120. Mr. Speaker, in line with the medium-term objectives laid out in the revised GPRS, government's economic programme for 2003-2005 is intended to:

* improve the standard of living of all Ghanaians by raising real growth to at least 4.9 per cent on average per year;

* increase poverty spending, financed in part through debt relief under the HIPC Initiative;

* reduce inflation from 15.2 per cent at end-2002, to single digit in 2003 and beyond; and

* rebuild gross official reserve holdings to 3 months of imports of goods and services by 2005.

121. Mr. Speaker, the NPP government's medium-term plan has benefited from discussions with representatives from civil society and business (including the new Ghana Investors' Advisory Council (GAIC)) on the constraints to growth and private sector investment in Ghana, and especially on ways in which the contribution of the financial sector can be strengthened. A number of themes that have emerged from these discussions, include:

* the importance of macro-economic stability;

* the need to curtail excessive government domestic debt and public borrowing, so as to reduce crowding out of the private sector, and lower real interest rates;

* the problem of infrastructure deficiencies, especially in the telecommunications and energy sectors;

* inefficiencies in customs and ports administration;

* the need for legal reforms and improved land title registration to enable banks to enforce loan contracts and obtain collateral for lending; and

* the need to develop equity finance in Ghana.

122. Mr. Speaker, our government's medium-term programme is designed to take concerted action in all of these areas.

123. It is envisaged that the medium-term measures described in this budget will be complemented by additional policy reforms to be supported under a Multi-Donor Budgetary Support (MDBS) programme, aimed at enhancing the effectiveness of the Civil Service, the budgetary process, public sector accountability, governance and decentralisation. Assistance is also being sought from the World Bank in the areas of power sector reform, financing for a strategic plan for agriculture, road construction, Civil Service reform, and implementation of a computer-based public sector financial management system. All measures defined under these programmes will be drawn from the GPRS, based on its broad objectives.

Macro Economic Outlook and Financial Programme 124. Mr. Speaker, the main challenges for 2003 will be to encourage a continued strengthening in economic growth,

while ensuring effective implementation of the poverty reduction programmes in the GPRS, and reducing inflationary pressures further.

Macroeconomic Objectives

125. Consistent with the objectives of the medium term economic policy framework, the key macroeconomic targets for 2003 are the following:

* a real GDP growth rate of at least 4.7 per cent;

* a reduction in the rate of inflation from 15.2 per cent at end 2002 to 9.0 per cent by end 2003;

* an overall budget deficit equivalent to 3.6 per cent of GDP;

* a domestic primary budget surplus of 3.0 per cent of GDP; and

* the rebuilding of gross official reserve holdings equivalent to 2.3 months of imports of goods and services.

126. Key policies needed to deliver these outcomes, and to lay the foundations for further gains in subsequent years, include:

* stabilising and reducing domestic debt stock, by maintaining a domestic primary budget surplus, and using any unprogrammed receipts from divestiture or programme aid, as well as a portion of HIPC relief, to retire domestic debt;

* reinforcing effective monitoring, control, and transparency in public expenditure operations, in particular the tracking of poverty spending and the wage bill;

* containing the losses and indebtedness of the major parastatals;

* phased adjustments to achieve and maintain full cost recovery in utility pricing, implementation of the divestiture programme, and further restructuring of parastatal debt;

* removal of the source of quasi-fiscal financing of the debts of state enterprises;

* continued development of the financial sector, including improved banking supervision and policies to facilitate increased credit by the banking system in support of private sector development; and

* improvements in the quality and timeliness of the dissemination of economic statistics.

Growth Prospects

127. Mr. Speaker, in the light of the deterioration in the outlook for the world economy, our projection for real GDP growth of 4.7 per cent in 2003, shows a downward revision, compared to an earlier GPRS projection of 5.0 per cent. Ghana's economy is also subject to risks associated with the ongoing crisis in neighbouring Ivory Coast, and the uncertainties involved, strengthen the case for caution in projecting growth for the year ahead.

128. The agriculture sector is projected to grow at 4.5 per cent. The Crops and Livestock sub-sector is projected to grow at 4.8 per cent, while Cocoa Production and Marketing is targeted to grow at 2.2 per cent. Forestry and Logging is expected to grow at 6.1 per cent, and Fisheries is expected to grow at 3.0 per cent.

129. Industry is projected to grow at 5.1 per cent, in line with infrastructure development programmes for the year. The Mining and Quarrying sub-sector is expected to grow at 4.7 per cent, and Manufacturing at 4.6 per cent. In view of the commissioning of the three big road projects, growth in the Construction sub-sector is projected to be robust at 6.1 per cent.

130. The Services sector is expected to grow at 4.9 per cent, on account of government support for public transportation, efficient communication management and their expected positive effect on commerce. Transport, Storage and Communication sub-sector is projected to grow at 5.7 per cent. Wholesale/Retail Trade, Restaurants and Hotels including Tourism sub-sector will grow at 5.6 per cent and growth in the Finance, Insurance, Real Estate and Business Services sub-sector is projected to stabilize at 5.5 per cent, while Government services sub-sector projected to grow at 4.0 per cent.

Outlook for Fiscal Policy

131. Mr. Speaker, in 2003, the principal objective of fiscal policy is to stabilize and reduce domestic debt with a view to stemming the increase in interest payments and to achieve the desired easing in real interest rates. The budget is, thus, calibrated to achieve the elimination of reliance on net domestic financing. This, Mr. Speaker, is undoubtedly a challenging task given the racheting up of wages in 2002, the burden of servicing the accumulated debt at TOR, as well as the imperative of maximizing social and development spending.

132. Mr. Speaker, to give effect to the President's vision of Ghana becoming a middle income country and, thereby, getting on the road to achieving its promise of well being and prosperity (through poverty reduction), aggregate poverty related expenditure is budgeted at 4.6 per cent of GDP, before the use of HIPC resources, or around 6 per cent of GDP including the use of HIPC resources. This compares with estimated poverty-related expenditures of 4.5 per cent in 2001, the year before Ghana became a beneficiary of the enhanced HIPC initiative.

133. Mr. Speaker, as a manifestation of the government's commitment to providing a safety net to the poor, subsidies will be used to support low income consumers of electricity and water.

134. Mr. Speaker, in his State of the Nation address, H.E. the President assured the nation of an increase in public sector salaries and tasked me as Minister of Finance to ensure that there is some cushion for the people against the price increase in petroleum products and utilities. The President cautioned, however, that these upward adjustments in wages must neither be inflationary nor cause disequilibrium in the economy. As a first step towards fulfilling this promise, Government on February 21, increased the minimum wage by 26 per cent, effective February, 2003. Government will now intensify negotiations with public sector employees to determine the appropriate public sector wage bill.

135. Mr. Speaker, we wish to assure the nation that as the economy expands and the revenue base is enhanced, there will be room for higher and more attractive wage increases.

136. Mr. Speaker, in order to demonstrate to the nation, government's preparedness to take the lead in the national effort to share the cost of ensuring a better future, there will be no increase in salaries and wages for the President, Vice President, Ministers of State, Deputy Ministers of State, Metropolitan, Municipal and District Chief Executives, as well as Special Assistants.

137. Mr. Speaker, to accommodate the expected increases in developmental expenditures and wages, while placing public finances on a permanently sound footing, we will introduce new revenue enhancing measures. These include:

* a debt recovery levy on petroleum products to help pay off the accumulated debt of TOR;

* an increase in the Road Maintenance Levy to help maintain the expected expansion of the road network;

* the extension of the National Reconstruction Levy to help fund venture capital projects;

* an increase in stumpage fees to support development projects in rural communities and preserve the environment;

* a National Health Premium to help fund the National Health Insurance Scheme;

* a Restructuring of the Department of National Lotteries; and
* public auctioning of timber concessions;

138. I shall discuss the details of the revenue enhancing measures later on.

139. Mr. Speaker, a number of measures will also be taken to further improve tax administration and enhance domestic revenue mobilisation. These include:

* the launching of the Large Taxpayers' Unit (LTU) in June 2003;

* the introduction of the sticker system in the collection of income tax from commercial transport operations;

* the roll-out of the computerised clearance system (GCNET) to all custom collections points; and

* the judicious use of the retention fund by all the revenue collecting agencies to improve their operational efficiency.

Fiscal Transparency

140. Mr. Speaker, the government is committed to the production of more timely and accurate statistics in support of transparency, to allow better assessment of developments in the economy. Towards this end, work is underway to review the calibration of the Consumer Price Index(CPI) from 1999 onwards and, related to it, the series on nominal GDP. Every effort will be made to expedite the revision of the CPI and the national income accounts series.

141. Mr. Speaker, last year, the Bank of Ghana completed an external audit of its 2001 financial statements and plans to conduct a similar audit for 2002 in conformity with International Accounting Standards. Efforts of the Bank of Ghana to strengthen its internal audit procedures are expected to be bolstered by a full Safeguards Assessment in 2003.

142. In addition, Mr Speaker, government will complete its audit of State-Owned Enterprises (SOEs) by commissioning audits of VRA, COCOBOD, among others. A summarised version of all audited companies will be published through the public media, including the internet.

143. Mr. Speaker, as His Excellency, the President John Agyekum Kufuor intimated in his State of the nation address, this nation's record on record-keeping is simply not good. Government has, therefore, approved legislation for the implementation of National Identity Cards by the end of 2003. Requests for bidders to submit proposals have been widely disemminated in the media, and the first phase covering persons of voting age is expected to be completed before the end of the year.

144. Mr. Speaker, in order to ensure that this august House is exercising its oversight functions, government will provide regular reports on the implementation of the GPRS and also provide additional resources to strengthen its capacity.

Resource Mobilisation

145. Mr. Speaker, total receipts for 2003 are estimated at ¢21,347.6 billion. The yield from tax and non-tax revenue is estimated at ¢13,533.7 billion, out of which tax revenue is expected to contribute ¢13,163.7 billion, and non-tax revenue ¢370.0 billion.

146. Foreign grants disbursements are projected at ¢2,878.1 billion, out of which ¢642.6 billion will be HIPC assistance from multilateral development partners. This is in addition to traditional programme grants estimated at ¢1,148.9 billion. Expected project grants amount to ¢1,086.7 billion.

147. Other receipts are estimated at ¢4,935.7 billion, including divestiture receipts of ¢429.6 billion, programme loans of ¢669.4 billion, and project loans of ¢1,556.8 billion.

148. Total receipts incorporate exceptional financing of ¢2,034 billion, comprising traditional debt rescheduling of ¢1,478.3 billion and HIPC relief of ¢423.7 billion from non-multilateral development partners. Also included in the exceptional financing is a gap of ¢132.1 billion, for which we will seek concessional programme funding from our development partners.

149. Mr. Speaker, the 2003 budget is framed on the expectation of external programme support totalling 3.0 per cent of GDP, and a further 4.1 per cent of GDP in external debt relief. Taking these contributions into account, net domestic financing of the budget is projected to be zero in 2003, in line with our objective to reduce the stock of domestic debt, and reduce inflation to single digit. This indeed is an uphill task, but one that we are determined to achieve.

Resource Allocation

150. Total Payments are estimated at ¢21,347.6 billion, comprising Statutory payments of ¢9,303.0 billion, and Discretionary payments of ¢12,044.6 billion.

151. Statutory payments include external debt service of ¢3,426.8 billion (on accrual basis), out of which ¢837.7 billion is earmarked for external interest payments.

152. Domestic interest payments on accrual basis are estimated at ¢3,108.1 billion, including accrued interest payments for the restructured TOR debt that has been taken over by Government through the issuance of Bonds.

153. The government will remain current on its statutory payments to the District Assemblies Common Fund and the Ghana Education Trust Fund. For 2003, the District Assemblies Common Fund (DACF) is programmed to receive ¢577.4 billion, while an amount of ¢489.7 billion is estimated to be transferred into the Ghana Education Trust Fund (GETF). It is expected that these transfers will be carried out faithfully during this budget year.

154. Transfers to Households, including pensions, gratuities, and government contribution to social security on behalf of workers, are programmed at ¢1,011.1 billion. Also included in this expenditure item is an amount of ¢210.0 billion to be allocated to a National Health Fund to complement start-up funding for the implementation of the National Health Insurance Scheme, the details of which will be made available to this House shortly.

155. The Road Fund will benefit from an amount of ¢623.3 billion, while other Petroleum-related Funds receive ¢66.6 billion.

156. Under Discretionary payments, Personal Emoluments (PE) are estimated at ¢5,450.0 billion, and expenditures in respect of Administration and Service are programmed at ¢1,871.2 billion. Total Investments are estimated at ¢3,120.9 billion, out of which ¢2,643.5 billion will be foreign-financed.

157. As we expect the utility companies to get close to full cost recovery with adjustments in utility prices, Subsidies to utility companies will be limited to ¢50 billion.

158. Mr. Speaker, time has come for both sides of this House and, indeed, all of us to be realistic and deal boldly with the issue of arrears accumulated in respect of the DACF and the GETF. We believe that it is unfair and financially imprudent to utilise substantial amounts of current revenues to finance arrears on the DACF and GETF. On the other hand, the Finance Committee of this august House should ensure that the current liabilities of this year are fully discharged.

159. Mr. Speaker, in order to manage these arrears efficiently, and ensure the optimum absorption of these funds even as we remain current on 2003 obligations, we are proposing and, seeking approval from this House, to ring-fence all outstanding arrears of the DACF and GETF to be paid over a period of time. Accordingly, provision has been made for the clearance of end-2002 cumulative arrears to these funds in five equal parts during 2003-2007. The provision for 2003, in this respect, amounts to ¢97.0 billion for both the DACF and GETF (¢53.9 billion for the DACF and ¢43.1 billion for the GETF).

160. Mr. Speaker, the 2003 budget includes an allowance for the clearance of expenditure arrears in the roads sector totalling ¢220 billion, and ¢100 billion for other domestic non-road expenditure arrears, in respect of construction and supplies to MDAs.

161. Poverty reduction activities will benefit from an allocation of ¢853.0 billion through HIPC relief.

Budget Balance

162. It is estimated that the revenue and expenditure projections elaborated in this budget will result in an overall budget deficit equivalent to 3.1 per cent of GDP. The domestic primary balance, which shows the extent of our own domestic adjustment efforts, however, is estimated to yield a surplus equivalent to 3.0 per cent of GDP.

Monetary Outlook

163. Mr. Speaker, the overall stance of monetary policy in 2003 will underscore the vital need to further reduce the rate of inflation and exchange rate volatility. At the same time, policies will be pursued to ensure that adequate bank credit is available to support the growth of the real sector.

164. The Bank of Ghana will continue to use indirect monetary policy instruments, namely open market operations and repurchase agreements to control the growth in its net domestic assets and hence in reserve money. Consequently, reserve money growth for 2003 is targeted at 20.5 per cent while broad money is expected to grow at 24.3 per cent. This is expected to help government to achieve the end year inflation target of 9.0 per cent.

165. Given the support of a strengthened fiscal position, the targeted slowdown in money growth is expected to result in a decline in real interest rates during 2003. This will help promote expansion in bank credit in real terms to the private sector.

Exchange Rate Outlook

166. Mr. Speaker, in 2003, the flexible exchange rate policy will continue to provide incentives for increased production of exportable goods, and enhance competitiveness on international markets.

167. Monetary and fiscal prudence in 2003 are expected to play a complementary role to slow down the rate of depreciation of the cedi and make the economy more stable for productive activity to flourish. The Bank of Ghana will continue to supervise the banks and foreign exchange bureaux and enforce compliance with relevant regulations to ensure the development of an orderly, efficient and effective foreign exchange market.

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2003 BUDGET STATEMENT (Part Two)

The Hon.Minister of Finance, Mr. Yaw Osafo-Maafo has presented the 2003 Budget Statement to Parliament(full text).

Balance of Payments Outlook

168. Mr. Speaker, in 2003, and in the medium-term, external sector policy will focus on building reserves to more comfortable levels. This will not only serve to cushion the economy against short-term external shocks, but also provide a basis for meeting sub-regional economic convergence criteria. To this end, technical, financial and other incentives will continue to be provided for increased production for export.

169. Balance of payments projections for 2003 show a brighter outlook than the outturn for 2002. The optimism is derived from the current stability in the general macro-economy, as well as the specific incentives, financial and otherwise, being provided by government for the export sector.

170. Export receipts are expected to grow by more than 10 per cent to US$2310.0 million. Cocoa is expected to contribute 27.0 per cent of this growth by generating US$613.5 million. Gold exports are also expected to grow by 10.0 per cent to contribute a third of total export earnings. Timber exports are also expected to amount to US$184.8 million, equivalent to about 8 per cent of total export receipts. Other exports including non-traditional exports are expected to yield US$750.8 million in 2003, and thus account for 30 per cent of total exports.

171. Merchandise imports are projected at US$3,156.3 million in 2003, out of which Oil imports are expected to account for 18 per cent amounting to US$559.3 million. The trade balance, consequently, is projected to record a deficit of US$846.3 million (13 per cent of GDP).

172. The services account is projected to record a net deficit US$297.8 million.

173. Unrequited transfers are expected to record a surplus of US$985.1 million, of which private unrequited remittances are projected at US$630.0 million, and official remittances US$355.1 million.

174. The current account balance (excluding official transfers) is projected to record a deficit of US$514.1 million, while including net official transfers, this deficit will reduce to US$159.0 million.

175. Total medium and long term capital inflows are projected at US$99.0 million. With an expected short term capital out flow of US$41.0 million the balance on the capital account amounts to US$58.0 million.

176. The surplus on the capital account will, however, not be enough to finance the projected deficit on the current account. Consequently, the overall balance of payments is projected to record a deficit of US$101.0 million.

177. It is, however, expected that exceptional financing in 2003 will amount to US$254.0 million. Of this, US$101.0 million will be used to finance the deficit in the balance of payments and the remaining US$153 million to beef up the country's external reserves.

External Debt Outlook

Debt Stock

178. Mr. Speaker, Ghana's total external debt for long and medium term including obligations to the IMF is expected to increase to about US$6,193.6 million for year 2003.

This is made up of IMF obligations of US$382.0 million and US$5,811.6 million for other creditors.

179. Of the total debt stock, about 71.0 per cent will be owed to multilateral institutions, 25.0 per cent and 4.0 per cent to bilateral and commercial creditors respectively.

New Loans in 2003

180. The policy of contracting new loans with a minimum grant element of 35 per cent will be maintained. Government will also continue to seek maximum grants and debt relief from our development partners in order to operate within sustainable levels under the HIPC framework.

SECTION FIVE: SECTORAL PERFORMANCE IN 2002 AND OUTLOOK FOR 2003

Infrastructure Services Sector

181. Mr. Speaker, as mentioned in His Excellency the President's State of the Nation's address to Parliament, opening up the country for long- term development will involve modernising the infrastructure to facilitate production and distribution, intra-regional trade and access to ports. This will also provide opportunities for jobs.

182. For the implementation of programmes and projects in 2003, under the Infrastructure Services sector, government has allocated ¢1,663.5 billion representing 15.9 per cent of total discretionary expenditure.

Ministry Of Roads And Transport

183. Mr. Speaker, among the activities planned by the Ministry of Roads and Transport towards achieving the development objectives of the GPRS, are the development and rehabilitation of major highways and improvement of roads to major markets, as well as the upgrading or tarring of feeder roads.

Performance in 2002

184. Mr. Speaker, in fulfillment of His Excellency, the President's promise, the following projects, among others, have started in earnest:

* Tema-Sogakope road;

* Tetteh Quarshie-Circle interchange road;

* Nkrumah Circle-Achimota road;

* Various sections of the Accra-Kumasi road;

* Bole-Bamboi road; and

* Bawdie-Asankragwa road.

185. In 2002 the Ghana Highway Authority completed 18,092 km of routine maintenance works out of the planned programme of 23,369 km. Under periodic maintenance, 797 km of road works were completed.

186. Mr. Speaker, the Department of Feeder Roads completed 19 bridges. Amongst these were:

* Agyei Nkwanta-Chichisa-Manso Amanfi road in the Western Region;

* Bonsu Nkwanta-Juabeso road in the Western Region;

* Abodom- Junction road in the Central Region; and

* Adugyaa Junction – Adugyaa road in the Central Region.

187. The Department of Urban Roads undertook various routine maintenance works on 2,844 km of the road network throughout the country.

188. A total of 86 km of roads were either resealed or resurfaced under the Department's periodic maintenance programme.

189. Mr. Speaker, in the transport sub-sector, the Ghana Civil Aviation Authority completed Phase 2 of the development of the Kotoka International Airport and was commissioned by H.E the President.

190. The works done under phase 2 comprised the following:

* the extension of the runway by 416 meters to allow for direct non-stop long haul flights from Accra by wide-bodied aircrafts;

* dedicated freight aprons for 3 wide-bodied aircrafts to increase parking capacity for cargo to boost export of non-traditional products; and

* expansion of departure check-in and waiting lounge to improve customer service delivery at the Airport.

191. Mr. Speaker, the Ministry has taken delivery of 75 buses out of the 100 that were ordered with Dutch Government support to improve the mass transportation system. The Ministry also received a donation of 47 buses out of 230 from Italy which have been used to form the nucleus of the Metro Mass Transit Company. The company started operations in October, 2002.

192. Mr. Speaker, the Accra-Nsawam railway shuttle carried over a million passengers between January and December last year.

193. The GPHA has completed deepening of the berths at Tema and Takoradi to accommodate bigger vehicles.

Outlook For 2003

194. Mr. Speaker, in line with the policy to develop and rehabilitate major highways to enhance intra-regional trade, works on the following highways were commissioned for construction by His Excellency, the President:

* Mallam-Kasoa road;
* Kasoa-Yamoransa road;
* Adenta-Manfe road;
* Abuakwa-Bibiani road; and
* Axim Junction-Tarkwa road.

195. Mr. Speaker, I am happy to announce that funds have also been secured for the construction of the Accra–Yamoransa road during the year.

196. Mr. Speaker, Government is pursuing its policy to construct and rehabilitate some major roads in the regions to link rural and urban markets. These include:

* Tamale-Yendi road in the Northern Region;

* Twifo-Praso Assin Fosu road and the Akyem-Achiasi-Akenkaasu-Brofoyedru in the Central Region;

* Agona-Junction-Tarkwa, the Bawdie-Asankragwa and the Sefwi Wiawso-Osei-Kojokrom roads in the Western Region;

* Jasikan-Brewaniase and the Kpando-Worawora in the Volta Region;

* Sekyere-Odumasi-Nkoranza, Ejura-Nkoranza roads, Sunyani-Ntotroso and Kuntunase-Ejisu roads in the Brong Ahafo and Ashanti Regions; and

* Kwahu Tafo-Adawso in the Eastern Region.

197. Mr. Speaker, under periodic maintenance, works on the following roads will continue in 2003.

* Walewale – Gambaga – Nalerigu in the Northern Region;

* Nanton Town Roads in Northern Region;
* Mankranso-Tepa in Ashanti Region;

* Ayanfuri – Diaso in Central Region; and
* Golokwati-Kane in the Volta Region.

198. Mr. Speaker, construction of 18 bridges including those over the following rivers will continue in 2003:

* Alabo river on the Amesiayakope-Osiabura Feeder Road in the Volta Region; and

* Natarbo River on the Jirapa-Douri-Lawra Feeder Road in the Upper West Region.

199. In addition, construction of 37 bridges will commence in the 4th quarter of the year countrywide.

200. Mr. Speaker, works on the under-listed roads and projects will start in the course of the year under the Department of Urban Roads:

* Inchaban-Sekondi-Adiembra-Effia Nkwanta and Africana roads;

* Tema Manhean and Ashaiman roads;

* Starlets, Ntsin and Castle roads in Cape Coast;

* Asafo Market interchange in Kumasi;

* High Street and the Central Business District Street in Accra; and

* Tamale City roads, bicycle paths and walkways.

201. Mr. Speaker, the Department of Feeder Roads will complete the rehabilitation of 2,600 km of feeder roads throughout the country in 2003. The following roads will be tarred under the Feeder and Ghana Highways Roads Programme:

* Nobekwa-Sankore and the Prang Kintampo roads in the Brong Ahafo Region;

* Nsawam-Pakro-Amangoase and Manso-Osenase roads in the Eastern Region;

* Sokode-Abutia-Juapong and Have-Kpando-Torkor roads in the Volta Region;

* Ashongman-Kitase roads in the Greater Accra Region;

* Tikobo No. 1-Bonyere and Axim Town roads,in the Western Region;

* Daban-Sokoban-Trede in the Ashanti Region;

* Gushiegu and Damongo Town roads in the Northern Region;

* Bawku-Narungu in the Upper East Region;

* Wa, Nandom, Hamile Town roads in the Upper West Region; and

* Ajumaku-Besease-Anyinabirem and Bawjiase-Agona Swedru roads in the Central Region.

202. In addition the rehabilitation of the Juapong-Vole-Adidome road will continue.

203. Mr. Speaker, the Ghana Railway Company will continue with work on the establishment of rail-based mass transit system within the Accra-Tema area and limited counter services within Kumasi and the Sekondi/Takoradi Metropolis to complement the road-based transport services in such areas. Meanwhile, a Transaction Advisor is expected to complete procurement proposals for concessioning of the rail infrastructure by November 2003 towards Government's modernisation and expansion programme.

204. Mr. Speaker, the Ghana Ports and Harbours Authority will continue work on the extension and development of quay 2 at the Tema Port into a dedicated container terminal. It will also procure modern container cranes to equip the container terminal with cranes and deeper drafts for bulk carriers to reduce pressure on the Tema Port. Procurement processes are also on-going for the Takoradi Port development programme.

205. Mr. Speaker, under the mass transportation system, 250 high occupancy mass transport buses are expected in the year to augment the fleet. Services will be extended to Kumasi and will eventually cover other parts of the country.

206. Mr. Speaker, as part of Government's strategic vision to develop an efficient inter-modal transport system in the country, a 400-acre inland port is to be developed at Boankra in the Ashanti Region. The port will make provision for the following facilities:
* container handling terminal;
* warehousing and Haulage Facilities;
* industrial and Export Processing Sites; and
* offices and Residential Facilities.

207. Mr. Speaker, the Ministry of Roads and Transport has been allocated a total of ¢944.5 billion for its programmes for 2003.

Ministry of Communications and Technology

Performance In 2002

208. Mr. Speaker, in line with the GPRS objective of improving communications, the Ministry of Communications and Technology carried out the following telephone expansion programmes to increase telephone access to the rural communities in 2002:-

Hohoe - 5,000 lines;

Kpando - 4,000 lines;
Kibi - 60 lines;
Asiakwa - 30 lines;
Dompoase - 30 lines; and
New Edubiase - 30 lines.

209. To accelerate the rapid socio-economic development of the country, facilities such as Free-Phone Dialling on 8,000 lines and prepaid phone systems were provided.

210. Mr. Speaker, the Ministry re-negotiated existing Telecom Agreements aimed at liberalizing the sector, and brought to an end in February 2002 the exclusivity in voice telephony previously the preserve of Ghana Telecom (GT) and WESTEL;

211. Mr. Speaker, in an effort to make Information and Communication Technology (ICT) facilities accessible to the rural population, 10 sites, one in each region, has been identified for setting up Community Information Centres (CIC). Designs for these centres have already been completed.

212. Mr. Speaker, the Ministry also started work on the construction of a Centre of Excellence for ICT training at a cost of ¢2 billion. In connection with this Centre of Excellence, twelve Ghanaians who pursued training programmes in India have since returned.

Outlook For 2003

213. Mr. Speaker, the Ministry's objective is to continue the implementation of its GPRS programmes and activities by increasing telephone services to rural areas and also providing information communication facilities for schools. As a consequence, Ghana Telecom will roll out additional 400,000 fixed lines between 2003 and 2005.

214. Mr. Speaker, for the year 2003 the expansion of telephone facilities will be carried out in the following communities:

* Akatsi - 1,000 lines;
* Teshie-Nungua - 5,000 lines;
* Sekondi - 2,000 lines;
* Kumasi Main - 3,500 lines;
* Kwame Univ. of Sci & Tech. 5,000 lines; and

* Akyem Swedru/Achiase Jungle Warfare 2,000 lines.

215. Mr. Speaker, to promote ICT as a tool that facilitates the production, transmission and processing of information for competitiveness in the global market place, the Ministry will:

* facilitate the extension of the National Fibre Optic network to cover other regions; and

* promote the requisite capacity building framework to support human resource development and specialized technical skills. In this connection, the Kofi Annan ICT Centre of Excellence will commence skills development training in 2003.

216. Mr. Speaker, the Government will also use its position on the International Communications Union (ITU) Governing Council to advocate for the promotion of Africa's rapid development of full inter-country information and communications connectivity system in support of the NEPAD initiatives on ICT.

217. Mr. Speaker, the Ministry of Communication and Technology has been allocated ¢62.7 billion for its programmes in 2003.

Ministry of Works and Housing

Performance in 2002

218. Mr. Speaker, increasing access to safe water in rural areas especially in guinea worm endemic areas is one of the activities outlined in the GPRS medium term priority programmes.

219. To this end, Government undertook a number of projects in both urban and rural communities in 2002.

220. Mr. Speaker, under the programme of Community Water and Sanitation Agency, Government with the support of the development partners, spent ¢187.7 billion to undertake the following projects:

* construction of 350 hand dug wells, 645 boreholes, 16 mechanized pipe systems, 10 gravity pipe systems, 3,117 household places of convenience and 88 institutional places of convenience;

* training of 1,330 Water and Sanitation (WATSAN) committee members, 2,000 Hand pump caretakers, 12 partner organizations, 400 Area Mechanics and 100 Artisans to effectively and efficiently manage rural water and sanitation facilities; and

* rehabilitation of 1,000 boreholes and 500 hand-dug wells countrywide.

221. In addition, about ¢73.8 billion was spent in 2002 to expand and rehabilitate water treatment works at Weija, Kpong, Barekese, Abesim, Winneba, New Tafo and Beposu/Nsuta. Some distribution networks in parts of West Accra and SSNIT flats in Sunyani were improved.

222. Mr. Speaker, the Ministry also undertook hydrological and housing projects. During the year, an amount of ¢1.6 billion was spent to continue work on parts of Ada,

Akplabanya, Prampram-Ningo, La, Phillip Quaicoe, Nkontompo and Prince Akatakyie coastline protection.

223. An amount of ¢2.6 billion was also spent on some primary drainage works in various parts of the country.

224. Mr. Speaker, by the end of 2002, Government had spent approximately US$65.9 million on the Keta Sea Defence Project bringing work completed to date to about 80 per cent.

225. Land reclamation for habitation is now 60per cent complete and reclaimed areas for the resettlement of the inhabitants of Kedzi, Vodza and Adzido are ready for construction works to start. Dredging works are approximately 83per cent complete.

226. Mr. Speaker, stage 1 of the Korle Lagoon Ecological Restoration project component comprising the following major activities, was completed at the cost of approximately US$33.4 million:

* dredging of the lower lagoon and canalisation of the upper lagoon;
* channel improvement of the Kaneshie, Odaw and Korle and the Agbogbloshie canals;
* slope protection to the Kaneshie, Odaw and Korle canals, including the provision of gabion hydraulic jump structure in the Kaneshie canal; and
* landscaping, site reclamation and grassing of the pig farm including the existing refuse dump.

227. Mr. Speaker, for the Housing sub-sector, Government in 2002 issued a Bank of Ghana Guarantee to a Slovakian Construction Company for a supplier's credit of US$41.35 million to facilitate the housing and infrastructure development programme.

228. Four consultants have been engaged at four different sites at Berekuso in the Eastern Region and Manchi-Kuntunanse, Oyarifa and Nsakina in the Greater Accra Region to prepare project documents for housing programmes.

Outlook for 2003

229. Mr. Speaker, in 2003 Government will continue to increase access to safe water and sanitary facilities in rural and urban areas, especially in guinea worm endemic areas and undertake other activities including coastal protection and drainage improvement. To this end, an amount of ¢656.3 billion has been earmarked for the Ministry of Works and Housing in the 2003 budget to implement its programmes and projects.

230. Mr. Speaker, Government has allocated ¢189.5 billion to enable the Community Water and Sanitation Agency continue with the rural water delivery programme as follows:

* construction of 306 new hand dug wells for 25 communities, 1,950 boreholes drilled for 60 communities, 52 mechanized pipe systems for 20 communities and 8 gravity pipe systems;

* construction of 3,428 household places of convenience, 97 institutional places of convenience and also rehabilitate 82 boreholes countrywide; and

* training of 1,450 Water and Sanitation (WATSAN) Committees' members, 1,500 Hand pump caretakers, 12 Partner Organizations, 400 Area mechanics and 120 Artisans to effectively and efficiently manage rural water and sanitation facilities.

231. Ghana Water Company Limited has also been allocated ¢1.3 billion to undertake various rehabilitation programmes of water systems at Cape Coast and Winneba; and medium capacity water treatment plants at Sogakope, Keta, Ada Foah and Obuasi.

232. Government will continue the rehabilitation works on the low capacity water treatment plants at New Tafo, Beposu/Nsuta and Dwomo. Minor improvement on some water treatment plants in the Northern, Upper East and Upper West Regions will also be carried out.

233. Mr. Speaker, an amount of ¢1.2 billion has been earmarked for the improvement and expansion of the distribution network in the following water stations and areas: Pankrono, Tamale, Juapong, Mankrong-Ayensuako and Sunyani New SSNIT Flats. Other areas include Kwabenya, Nungua-Zongo, Gbawe, Adweso, New Town, Suhyiem, Kpeve and Have.

234. This year, Government will continue with coastal protection work in critical areas along the coastline especially at Akplabanya, Phillip Quaicoe, and Prince Akatakyie and start works on Essel Lagoon.

235. Mr. Speaker, an amount of ¢3.0 billion has been earmarked for various primary drainage works in several parts of the country including:

* Teshie/Nungua in Greater Accra;
* Konongo-Odumase in Ashanti;
* Ayekoo-Ayekoo in Central;
* West Tanokrom in Western;
* Agormanya and Larteh in Eastern;
* Goaso in Brong Ahafo;
* Kadjebi in Volta;
* Zebilla in Upper East; and
* Buipe in Northern region.

236. Government has further allocated an amount of ¢304.5 million for the construction of the remaining groyne, land reclamation at Kedzi and Vodza including the resettlement programme for the people of Adzido, Vodza and Kedzi.

237. It is envisaged that the following activities for stage II of the Korle Lagoon Ecological Restoration Project will be carried out:

* The final phase of the on-going off-shore investigations required to confirm the final technical parameters of the new sea outfall pipeline;
* Construction of the interceptor weir;
* Construction of the landline and new sea outfall pipe; and
* Construction of the two pumping stations and ancillary works.

238. Mr. Speaker, actual construction work on the US$10.0 million Tamale Storm Water Drainage Project is expected to commence this year.

239. Mr. Speaker, for the housing sub-sector, Government will continue to facilitate the construction of 20,000 and 90,000 various housing units for rentals and direct ownership respectively.

240. Mr. Speaker, Government has finally sourced a Supplier's Credit of US$120 million for various projects in the housing sub-sector at Berekuso in the Eastern Region, Oyarifa and Manchi-Kuntenase in the Greater Accra Region, known as the "Housing The People Scheme" in fulfilment of the NPP Manifesto. The first phase of the project amounting to US$41.35 million will commence this year.

Economic Services Sector

241. Mr. Speaker, the Economic Services Sector consists of eight MDAs, three of which are to undertake priority activities under the GPRS. These are the Ministries of Food and Agriculture, Lands and Forestry and Energy. The total allocation to the Economic Services Sector is ¢969.6 billion in 2003 representing 9.3 per cent of total discretionary expenditure.

Ministry of Food and Agriculture

Performance in 2002

242. Mr. Speaker, one of the objectives of the Ministry of Agriculture is to modernize Agriculture based on Rural Development as outlined in the GRPS. In this direction, the Ministry undertook activities in the promotion of farm mechanization, provision of irrigation facilities, rehabilitation of fish hatcheries, provision of access to inputs for livestock, crop production and the promotion of the production of high value crops.

243. Consequently, the Ministry in 2002 was provided with about ¢2.0 billion for the importation of essential spare parts to enable the Agricultural Mechanization Limited rehabilitate about 1,000 broken down tractors to promote mechanized farming. Rice threshers have been produced locally to improve the quality of local rice. Prototypes of cassava processors and sugarcane crushers have also been produced.

244. Mr. Speaker, rehabilitation and construction of 16 dams and dug-outs as well as the design for the construction of 30 additional dams were started during the year.

245. In addition, 82 Hand-dug wells were excavated and lined with cement for usage.

246. Mr. Speaker, in the fisheries sub-sector, a Pilot Aquaculture Centre, which is expected to produce fingerlings for fish farmers in the middle belt of the country, that is, Ashanti, Brong-Ahafo, Eastern and Volta Regions, was completed.

247. Mr. Speaker, the following measures were taken to improve access to crop production:

* through the President's Special Initiative on cassava, the Root and Tuber Improvement Project supplied improved cassava varieties to farmers for planting on 1,050 ha. in 2002. This represents 53 per cent of the target of 2,000 ha;

* a total of ¢112.0 million was disbursed by Agricultural Development Bank in Tamale to 141 women processors on group basis under the Lowland Rice Development Project. In addition, 153,977 transplantable hybrids were developed for transplanting by farmers; and

* under the Special Programme for Food Security, the Ministry has developed 120 ha of land for the cultivation of millet, sorghum, rice, plantain and vegetables through improved water control system in Bolgatanga, East Gonja, Tano, Jasikan, and Dangbe East districts.

248. Mr. Speaker, with regard to improving access to inputs for livestock production, 6,000 improved guinea keets from Belgium were brooded and distributed to farmers under the Upper West Agricultural Development Project.

249. Three Hundred and Sixteen Sahelian Rams and Billies were also procured from Burkina Faso for distribution to farmers.

250. Mr. Speaker, work continued on improving breeding stock of the indigenous cattle, sheep, goats and pigs at the six nucleus-breeding stations at Nungua, Amrahia, Ejura, Kintampo, Pong-Tamale and Babile to be distributed to participating breeders for multiplication and distribution to farmers nation-wide.

251. Mr. Speaker, in order to create market for farm produce and achieve import substitution in certain areas, the ministry is actively promoting the utilization of selected crops through processing, value addition, packaging and presentation. Rice is being processed into grits and flour for 'omutuo' and porridge.

252. Cassava, cocoyam and sweet potato are also being processed into flour for baking bread and pastries.

253. Sorghum and maize have been satisfactorily experimented in the beer industry. Guinness Ghana Ltd used some sorghum last year. Over the past 12 months Accra Brewery Ltd. used 2,500 tonnes of locally processed maize grits which represents about 5,000 tonnes of maize.

254. Mr. Speaker, in view of the prevailing policy of ensuring food security by maintaining strategic stocks in years of surplus production, the MOFA proposed the establishment of National Strategic Food Security Stocks and purchased 220,000 mini bags (11,000 tons) of white maize. The programme which is revolving is undertaken by the private sector and financed by the Agricultural Development Bank. This contributed to the stabilization of food prices in 2002. The year under review saw abundance of food throughout the year.

Outlook for 2003

255. Mr. Speaker, government will continue its programme to modernise agriculture. In this regard, MOFA will continue its programmes and projects which are targeted at ensuring food security and import substitution. To achieve these objectives in 2003, an amount of ¢419.3 billion has been allocated to the Ministry.

256. In line with the GPRS policy on the promotion of farm mechanization, the Ministry will facilitate the establishment of tractor pools in 9 strategic areas on pilot basis, and continue the development of selected processing machines.

257. Mr. Speaker, the Ministry will increase production of cereals, legumes, roots and tuber crops through the rehabilitation of broken down irrigation facilities, dams and boreholes, and making available improved seed and planting materials to farmers.

258. Mr. Speaker, under the fisheries sub-sector, the Ministry will make adequate and good quality fingerlings and other inputs available to farmers through the rehabilitation of 16 hatcheries in an effort to increase production of fish from fish farming. The Ministry will improve landing sites at 6 locations to make it easier for fishing trawlers to discharge their catch. The construction of new and the rehabilitation of old fish ponds will be undertaken to improve fish farming.

259. Mr. Speaker, to promote value addition and reduce post-harvest losses, the Ministry of Food and Agriculture will promote the processing and preservation of selected commodities, namely, root and tuber crops, grains, fruits, vegetables and oil seeds.

260. Mr. Speaker, in line with the priorities of GPRS, the livestock sub-sector will increase the production of small ruminants through the improvement of indigenous breeds, development of improved forages and communal grazing grounds. The poultry industry will be revitalized.

261. In addition, the Ministry will facilitate marketing through the construction of access roads and farm tracks and promote the use of appropriate haulage vehicles for perishable crops.

262. The development of Farmer Based Organisations will be intensified this year.

Ministry of Lands and Forestry

Performance in 2002

263. Mr. Speaker, in 2002, the Ministry of Lands and Forestry raised 25 million plantation seedlings in nurseries throughout the country, and established 20,000 Ha of forest plantation. In addition, the Ministry maintained 30,000 km of existing forest boundaries and in the process created 82,000 jobs.

264. In the course of the year, 1.4 million cubic metres of Natural Forest Timber was harvested. This and other sources contributed to the realization of ¢33.5 billion as Internally Generated Funds (IGF).

Outlook for 2003

265. Mr. Speaker, under the GPRS objective of creating the right institutional environment for entrepreneurial development, the Ministry of Lands and Forestry is to undertake land administration reforms among other activities. An allocation of ¢125.5 billion has been made for the Ministry's programmes in 2003.

266. Mr. Speaker, to arrest the deterioration of the nation's forest resources, His Excellency the President launched a National Plantation Development Programme at Ayigbe in the Brong-Ahafo Region in September 2001. The target, which was initially set at 20,000 ha. per annum, has now been revised to 80,000 ha. per annum, to more than compensate for the annual deforestation rate of 65,000 ha.

267. Under the plantation programme for 2003, the Ministry intends to raise 25 million plantation seedlings in nurseries throughout the country and establish 20,000 ha of forest plantation. In addition, 30,000 km of forest reserve boundaries will be maintained.

268. Mr. Speaker, the Ministry will also grant Timber Utilization Contracts in 2003 to streamline the harvesting of forest timber. Consequently, it is expected that 2 million cubic metres of natural forest timber will be harvested in addition to 500,000 cubic metres of timber plantation.

269. It is estimated that the Ministry will generate ¢50 billion as IGF and create 100,000 jobs.

Ministry of Energy

Performance in 2002

270. Mr. Speaker, the Ministry's objective under the GPRS is to provide reliable supply of quality energy services. To this end, activities identified to enable the Ministry achieve this objective include the implementation of a cost recovery pricing policy for energy and supply of rural electricity. Under the 2002 programme, the Ministry continued the implementation of the:

* third phase of the Self Help Electrification Programme (SHEP-3) to supply electricity to 650 communities in the country;

* electrification of the Volta Lake Settlement Township project in which 120 out of 150 communities were connected to the national grid and the project will be completed by June 2003; and

* electrification in the Western Region to benefit 110 communities where 30 per cent of work has been completed.

271. Mr. Speaker, in 2002 the four States in the West African Gas Pipeline Project have successfully negotiated and concluded the International Project Agreement and an Enabling draft legislation which contains the agreed harmonised legal and fiscal arrangements for the Project. Meanwhile, the Pre qualification process for identifying qualified contractors for the construction of the Pipeline has been completed.

272. Negotiations were finalized and agreements signed with oil companies for the exploration of crude in the country's offshore basins following Cabinet approval and Parliamentary ratification.

273. Construction of a Residual Fluid Catalytic Cracker (RFCC) was completed and commissioned by His Excellency the President last year.

274. Mr. Speaker, under Phase one of the Rural Kerosene Distribution Improvement Programme, 700 surface tanks were fabricated and distributed to rural areas through the District Assemblies.

Outlook for 2003

275. Mr. Speaker, the Ministry of Energy will continue with the implementation of activities that will enable it achieve its objective in line with the GPRS. The Ministry has been allocated an amount of ¢149.0 billion to implement its programmes for 2003.

276. Under the third phase of SHEP 3, extension of power to all the 650 communities will be completed in the course of the year.

277. Mr. Speaker, the SHEP 4 programme is to benefit an additional 2000 communities will commence this year.

278. Mr. Speaker, electrification of Nyinahin and 23 other communities in the Atwima District will be undertaken.

279. Mr. Speaker, new regional capitals Street Lighting Project to improve the aesthetic, social and security situation in all regional capitals and Tema will commence.

280. Electrification to benefit 110 communities in the Western Region will continue.

281. Mr. Speaker, phases II & III of the Rural Kerosene Distribution Improvement Programme comprising the fabrication of additional 1,800 tanks will be pursued this year

282. Mr. Speaker, identification, survey, selection and installation of photo-voltaic solar systems in communities in the three Northern Regions, and Eastern and Western Regions will be facilitated to increase access to modern energy to rural poor communities.

283. The Heads of States at the ECOWAS Summit in Dakar in January, 2003 signed the West African Gas Pipeline Treaty which contains inter-state commitments to support the Project. All three agreements, in the course of the year, will be presented to Parliament for ratification. It is the expectation of Government that, it can count on Honourable Members of this august House to consider the agreements with speed. Invitations to tender will be sent out this year.

Ministry for Private Sector Development

Performance in 2002

284. Mr. Speaker, strengthening the private sector is one of the key objectives of the GPRS. The Ministry for Private Sector Development (MPSD) carried out a number of activities aimed at reducing bottlenecks to private sector development and promoting entrepreneurship in agro business.

285. In furtherance of this objective, the Ministry organized workshops to identify bottlenecks in obtaining Environmental Protection Agency (EPA) permits by the private sector and recommending measures to remove the identified bottlenecks.

286. The Government in 2001 instituted the Emergency Social Relief Programme with the goal to reduce poverty.

287. The Ministry also re-established the Country Development Framework working group which has successfully developed the relevant framework for addressing issues related to private sector development.

288. A draft Bill on the review of the Companies Code was submitted to Cabinet for approval.

289. Mr. Speaker, the Ministry facilitated the establishment of a food stock loan facility of ¢50.0 billion to provide support to private sector entrepreneurs to stock food produce.

Outlook for 2003

290. Mr. Speaker, the Ministry plans to carry out a status review of all legal reforms currently underway relating to private sector development. These are: the Labour Law, Exchange Control Act, Bills of Exchange Act, and Financial Institutions Law as it applies to Non-bank Institutions.

291. The Ministry will also develop entrepreneurship training programmes and set up a business counseling unit as part of its capacity building and enterprise support.

292. Mr. Speaker, the Ministry will review existing agencies that operate credit schemes for small and medium scale enterprises (SMEs) and support the licensing of some of them as non-bank financial institutions dedicated to the SME sector.

293. Mr. Speaker, purchases of food stocks by the private sector operators using the ¢50.0 billion facility will start in 2003.

294. To implement its work programme for the year the Ministry of Private Sector Development has been allocated ¢6.1 billion.

Ministry of Environment and Science

Performance in 2002

295. Mr. Speaker, the Ministry intensified its public education and awareness campaign on the environment through media reportage, workshops and seminars, and programmes such as anti-bushfire campaigns. The cooperation of the communities and other stakeholder institutions reduced the incidence of bushfires in the past year.

296. Thirty more 'environment desks' were established in various public institutions and manned by 30 officers who received training to strengthen the Environmental Protection Agency's capacity to monitor compliance with environmental laws and regulations.

297. EPA granted 100 environmental permits for start-up projects in 2002.

298. Mr. Speaker, the Town and Country Planning Department initiated a project to open up 5km length of access roads at Kwabenya in the Ga District as a strategy for controlling Urban development.

299. The Rural Enterprise Project trained 236 master craftsmen and 1,898 rural dwellers to adopt improved technologies. About 3,600 small-scale entrepreneurs including women were trained in entrepreneurial skills to enhance their businesses.

300. Mr. Speaker, in line with the Government's policy to increase food production, the Centre for Scientific and Industrial Research (CSIR) and its institutes in collaboration with MOFA released 2 new high yielding disease-resistant plantain hybrids for multiplication in Assin and Asante Akyem districts. New improved varieties of tomato, peanut, cowpea and sorghum were developed and are being multiplied for farmers.

301. The CSIR also supplied 126 forest nurseries in 5 regions with appropriate seedlings to support reforestation and land reclamation.

Outlook for 2003

302. Mr. Speaker, the Ministry of Environment and Science will undertake the following programmes in 2003:

* intensification of public education and awareness creation in the environment and science as tools for enhancing the quality of the environment, sustaining development and reducing poverty; and

* preservation of the Weija Lakeside and rehabilitation of the Watershed of the Akaa Waterfalls in the Eastern Region as part of land reclamation measures.

303. In order to reduce poverty and relieve pressure on land in rural communities, off-farm alternative livelihood training activities will be carried out in selected districts, namely: West Akyem, Aowin-Suaman, Jaman, Assin, Lower Denkyira, Kadjebi, Hohoe and Manya Krobo.

304. Mr. Speaker, to facilitate research and service delivery of the Ministry and its Departments and Agencies, rehabilitation of research laboratories, pilot plants and demonstration facilities will be carried out.

305. Mr. Speaker, Town and Country Planning Department will continue its urban development control strategy through the opening up of access roads in two regions. Projects at Assin Fosu (Central Region), New Drobo (Brong Ahafo Region) and Akim Oda (Eastern Region) will be implemented this year.

306. A total of ¢133.5 billion has been earmarked for the Ministry of Environment and Science in 2003.

Ministry of Trade and Industry

Performance in 2002

307. Mr. Speaker, the Ministry of Trade and Industry plays a key role in the economic sector by carrying out activities aimed at providing support to small and medium-scale enterprises, that is, equipment to micro and small scale producers, establishing small

enterprise zones in profitable locations and strengthening agencies and departments responsible for cluster and enterprise development.

308. All these activities are planned to enhance the achievement of the GPRS objectives of increasing production and employment by promoting agro-processing and improving productivity in the industrial and service sectors.

309. Mr. Speaker, in accordance with the Ministry's programme for building capacity, Ghanaian entrepreneurs have received training in machine tools and auto parts technology in Punjab in India.

310. The Ghana Exports Promotion Council (GEPC), under a programme to enhance the capacity of exporters to take advantage of opportunities in the export market, identified nine export products including vegetables, sweet potatoes, spices, medicinal plants, cashew and mangoes for special attention.

311. Mr. Speaker, in implementing the strategies and programmes of the National Board for Small Scale Industry (NBSSI) in 2002, 117 tailor-made training programmes were organized for 3,285 potential and practising entrepreneurs. In addition, 239 Medium and Small Scale Entrepreneurs were supported to access formal credit totaling ¢4.5 billion and 104 micro enterprises were provided with credit totaling ¢100.2m through credit schemes operated by the NBSSI and the District Assemblies.

312. Mr. Speaker, other achievements by the Ministry are the following:

* Ghana Freezones Board registered 25 firms creating over 6,400 jobs in 2002 as against about 1,500 in 2001;

* establishment of the Ghana Investment Fund (GIF) to provide affordable capital to Industry;

* re-classification of yam by Legislative Instrument (LI) as a Traditional Export Commodity; and

* operationalisation of the Export Development Investment Fund (EDIF) which provided over ¢60 billion to firms creating about 2,000 jobs.

Outlook for 2003

313. Mr. Speaker, the Ministry of Trade and Industry will continue to carry out programmes aimed at achieving the broad economic objectives under the GPRS. In this regard, a sum of ¢102.7 billion has been allocated in 2003.

314. The creation of industrial estates, which focus on agro-food processing will be pursued.

315. The implementation of the Root and Tubers Improvement Project (RUTIP) will commence in 5 pilot districts.

316. Mr. Speaker, under the NBSSI programme of work, 10 additional Business Advisory Centres will be established in various districts to promote rural entrepreneurship, create employment opportunities, reduce rural-urban migration and increase income levels of the rural population.

317. Four hundred tailor-made entrepreneurial, managerial and technical skills training programmes will be established at 6 craft villages and production centres in five regions under the HIPC funded programmes.

318. Mr. Speaker, GEPC will expand the soya bean project to cover 7,000 persons in 3 regions and embark on activities to increase non-traditional exports by 15 per cent over 2002 levels.

President's Special Initiatives.

319. Mr. Speaker, the President's Special Initiatives are intended to stimulate private enterprise, improve productivity and create jobs both in agriculture production and in processing.

320. The initiative on textiles has started in earnest to take advantage of the U.S. Government's African Growth and Opportunity Act (AGOA) as well as other markets in Europe.

321. About 50 Ghanaian medium sized garment-manufacturing companies are expected to commence production in the Tema Free Zone Enclave by the beginning of the second quarter of this year.

322. Mr. Speaker, an amount of US$1.2 million has been disbursed to purchase the Volta Garment Factory for the establishment of a Clothing Technology and Training Centre (C.T.T.C) where 8-week training programmes for up to 400 textile workers per batch, will commence this year.

323. Mr. Speaker, in addition, a model medium-sized commercial manufacturing unit with 300 workers will serve as demonstration centre for mass production of textiles. This project is expected to create about 70,000 jobs by 2005.

324. With the attainment of the AGOA visa status, Ghana now has access to the United States Market, duty and quota free. This privilege covers textiles and apparel as well as 6,400 other products.

325. Mr. Speaker, under the cassava initiative, the Ayensu Starch Company Limited has established a factory at Bawjiase and working with outgrower farms within the following contiguous districts: Awutu-Effutu-Senya, Gomoa, Agona Asikuma-Odoben-Brakwa in

the Central Region; Ga in the Greater Accra Region; and West Akim, Akwapim South, Suhum-Kraboa-Coaltar in the Eastern Region.

326. About 5,000 farmers within these districts are being organized and assisted to cultivate cassava to be processed into high-grade industrial starch for export.

327. Mr. Speaker, the Special Initiative on Salt, Oil Palm and Cotton are due to take off this year. Government has facilitated the acquisition of US$40.0 million, which can be accessed by private ventures for production of salt for exports. The Committee on Oil Palm Initiative has also earmarked 100,000 ha of land to be planted over the next five years. This is expected to double current national output during the period.

328. Mr. Speaker, with regard to cotton production, talks are far advanced with a Mauritius company to set up a sub-regional cotton processing factory in Ghana with an initial investment of US$67 million.

Ministry of Mines

Performance in 2002

329. Mr. Speaker, under the 2002 work programme of the Ministry of Mines, 100 clay samples in the Eastern, Ashanti, Volta and Western Regions were found to be suitable for the manufacture of brick and tiles and electrical porcelain in all the regions. The data will be brought into the public domain for the benefit of both local and foreign investors.

330. The Ministry also granted mining licences to 10 companies during the year.

331. Mr. Speaker, a loan facility amounting to ¢3.0 billion was granted to Elmina salt mining co-operative societies from HIPC funds.

332. The Ministry reviewed the existing legislation and drafted a new Mining Bill for the consideration of Parliament.

333. Mr. Speaker, the new draft bill seeks to revise the list of minerals included in the definition prescribed in the mining list to include salt, among others. It is expected that this innovation alone will see large investments in the salt industry, which will satisfy the enormous demand in the West African Sub-Region and beyond. The new law will also boost investment in gold mining.

Outlook for 2003

334. Mr. Speaker, in 2003, the Ministry will promote the training of the youth in the manufacture of clay products like electrical porcelain, beads, ceramic waves and bricks in collaboration with relevant training institutions.

335. The Ministry will also enhance the diversification of production of minerals especially industrial minerals such as salt. In addition, the Ministry will promote the development of alternate processing techniques for gold recovery by small-scale mines. To achieve these objectives, an amount of ¢19.7 billion has been allocated to the Ministry in 2003.

336. As stated in H.E. the President's state of the nation address to Parliament, the biggest gold mining company in the world, Newmont Mining is commencing operations in Ghana to develop two mines in August. The initial investment will be US$450 million and will provide 500 direct jobs. Social Services Sector

337. Mr. Speaker, enhancing Social Services with emphasis on Health and Education is one of the five key priority areas of Government to accelerate development in the transformation of our economy. The GPRS recognizes that improving the health of the poor is crucial for reducing poverty given that ill health is both a consequence and a cause of poverty.

338. Mr. Speaker, education also opens doors for prosperity for the individual, which consequently affects the country as a whole. For the implementation of programmes in Health and Education and the other areas of the Social Sector ¢4,068.9 billion has been allocated in 2003 representing 39.0 per cent of total discretionary expenditure.

Ministry of Health

Performance in 2002

339. Mr. Speaker, the Ministry of Health has as one of its key objectives, enhancing access to, and efficient delivery of health services.

340. Mr. Speaker, in pursuit of this objective in 2002, 15 out of 16 Rural Health Centres were completed. In addition two District Hospitals at Sogakope and Ada were completed and commissioned. Additionally, 15 Rural Health Centres whose construction began in 2002 are at various stages of completion. The upgrading of four health centers also began in 2002.

341. Mr. Speaker, the Ministry is supporting the construction of hostel and classroom facilities for Community Health Training Schools in Navrongo, Worawora and Fomena. Funds were allocated for the expansion of hostel and classroom facilities for existing Community Health Nursing Training Schools at Essiama and the Rural Health Training School at Kintampo.

342. Mr. Speaker, the preparation for the launch of a full-scale social type health insurance programme in the country was initiated last year. The policy framework was approved by Cabinet to implement the district-wide mutual health insurance in 42 districts.

343. Mr. Speaker, under the Public Health delivery programme, immunization of children against the 6 killer diseases was continued nationwide. In addition to this, emphasis was placed on communicable diseases such as tuberculosis. HIV control programme was given some added impetus with the prevention of mother to child transmission of HIV as one of the focal issues. In the course of the year, mothers who had tested positive for HIV received drug treatment during labour and the same drug given to their babies after birth.

344. Mr. Speaker, the Guinea Worm Eradication Programme has been experiencing mixed fortunes over the years. Between January and June 2002 a total of 3,076 cases had been reported as against 3,239 for the same period in 2001.

345. Mr. Speaker, one of the focal points of the Ghana Poverty Reduction Strategy is the HIV/AIDS pandemic. The emphasis here is not only on preventing new transmission and the spread of the disease but also to improve the quality of life of people living with HIV/ AIDS and orphans of HIV/AIDS victims.

346. In an effort to increase awareness of the public and provide support for people living with HIV/AIDS, the Ministry produced two documents on anti-retroviral therapy and the management of the opportunistic infections as guidelines for the management of persons living with HIV/AIDS for use in training of clinicians.

347. Mr. Speaker, in collaboration with Family Health International (FHI), a pilot project Support Treatment and Anti Retroviral Therapy (START) was launched in March in the Manya Krobo district.

348. Mr. Speaker, as part of measures to retain health personnel, the Ministry set-up a Vehicle Revolving Fund for Health Workers. An amount of US$5.0 million was made available for setting up the fund. The ministry also purchased 73 saloon cars last year for distribution to health personnel in an effort to attract them to the rural and deprived areas of the country. In addition, the Ministry took delivery of 300 pick-ups and other vehicles bringing the total to 450 vehicles to augment the fleet of vehicles and improve service delivery.

349. Mr. Speaker, work on the Ghana College of Medicine and Surgery commenced in 2002.

Outlook for 2003

350. Mr. Speaker, in order to ensure that we achieve the objective of bridging the equity gaps in access to quality health and nutrition services as well as ensuring sustainable financing arrangements that protect the poor, the Ministry will in 2003:

* continue with the redistribution of health workers in favour of deprived areas;

* phase out the Cash and Carry system;

* implement the Health Insurance Scheme (HIS); and

* provide outreach services in deprived areas.

351. In this connection, the Community Based Health Planning and Services (CHPS) arrangement will remain the key strategy for expanding service provision.

352. Mr. Speaker, the district-wide mutual health insurance schemes piloted in 42 districts in 2002 will be expanded to cover all other districts in 2003.

353. Under the investment programme of the Ministry, emphasis will be on:

* the CHPS infrastructure network;

* the development of model health centers;

* the expansion of existing health training institutions; and

* introduction of new schools.

354. Mr. Speaker, construction works on Gushiegu and Begoro hospitals will continue this year and some major rehabilitation works will be carried out in the Teaching Hospitals. Work on Bolgatanga Lagoon Hospital will commence this year; so will the upgrading of Polyclinics in Accra and Kumasi to full hospitals to ease pressure on Korle-Bu Teaching Hospital and Komfo Anokye Teaching Hospital.

355. Diseases earmarked for eradication in the period include polio and guinea worm and those for elimination are Maternal and neonatal tetanus, leprosy, trachoma and filariasis.

356. Mr. Speaker, seven specific areas of service delivery remain the priority for 2003. These are HIV/AIDS and sexually transmitted diseases, malaria, guinea worm, tuberculosis, reproductive and child health, expanded programme of immunization, and emergency care.

357. The programme of the Ministry for HIV/AIDS in 2003 is a continuation of the activities initiated in 2002 and aims at bringing down the zero prevalence infection rate from 3 per cent in 2002 to 2.5 per cent in 2003.

358. Mr. Speaker, the Ministry will continue with inter-sectoral action and advocacy among the political, traditional and business leaders, especially in the introduction of prophylaxis for mother-to-child transmission, and post-exposure prophylaxis.

359. To carry out these activities, the Ministry of Health has been allocated an amount of ¢1,154.6 billion representing 28.4 per cent of the total Social Sector Services allocation.

Ministry of Education

Performance in 2002

360. Mr. Speaker, the Ghana Poverty Reduction Strategy emphasizes the provision of basic education as a key strategy for poverty reduction. In 2002 the Ministry of Education (MOE) implemented several activities under the Free Compulsory Universal Basic Education (fCUBE) programme as the major policy for basic education delivery with the objective of enhancing access, and improving quality of education.

361. In this respect, efforts were made to improve quality of education delivery. Ghana Education Service focused its attention on the training of classroom teachers. In the 2002 financial year 6,267 teachers were given in-service training to improve their pedagogical skills.

362. Mr. Speaker, in line with provision of quality education, Teachers Incentive Scheme was designed to attract and retain qualified teachers especially those working in remote areas. The following were procured at a cost of ¢9.4 billion and distributed to classroom teachers in remote areas to ease their mobility to school:

* 500 motorbikes at the cost of ¢4.995 billion;

* 9,000 Bicycles for male teachers at the cost of ¢2.843 billion; and

* 5,400 Bicycles for female teachers at the cost of ¢1.606 billion;

363. Mr. Speaker, a total of 4,383,428 textbooks worth ¢14.194 billion covering core subjects in English, Maths, Science and Social Studies were distributed to all Basic Schools to improve the textbook to pupil ratio to a level of 1:1.

364. Mr. Speaker, infrastructural facilities completed at a total cost of ¢172.2 billion at various levels of education to improve training and learning outcomes of pupils/students were as follows: * 1,556 Teachers Accommodation units at the cost of ¢80.3 billion;

* 166 Classroom blocks at the cost of ¢42.1 billion;

* 166 KVIP at the cost of ¢1.12 billion; and

* 270,676 pieces of classroom furniture at the cost of ¢48.7 billion.

365. In the secondary division, the following were carried out:

* an amount of ¢36 billion was spent on the reprinting of English and Mathematics textbooks while ¢14 billion was also spent in procuring textbooks on Integrated Science and Social Studies;

* twenty-two buildings in 17 Senior Secondary Schools were rehabilitated at the cost of ¢699.7 million;

* forty additional infrastructural facilities in 37 Senior Secondary Schools which were under construction at the cost of ¢1.5 billion have reached advanced stages of completion; and

* five Private Community Senior Secondary Schools were absorbed into the Public System of Education bringing the total number to 479.

366. Mr. Speaker, a number of programmes and projects were implemented to promote Science and Technical/Vocational studies to equip students with requisite skills. Some of the programmes and projects include the following:

* Science, Technical and Mathematics Education (STME) Clinics were organized for 8,000 girls in JSS and SSS; and

* 9 Vocational and Technical VOTEC Education Resource Centres were completed and handed over.

367. Mr. Speaker, the following projects were also completed in the tertiary sector, namely:

* the renovation of the Balme Library complex, construction of Law Faculty building and completion of the Chemistry Laboratory complex all at the University of Ghana, Legon;

* the rehabilitation of the Great Hall and the Faculty of Pharmacy and Department of Physics at the Kwame Nkrumah University of Science and Technology (KNUST);

* rehabilitation and extension of laboratory and examination hall, completion of lecture hall with seating capacity for 1,500 students and completion of new halls of residence at the University of Cape Coast (UCC);

* completion of office block for lecturers computerisation and networking of distance education and rehabilitation of students hostel and auditorium at Kumasi campus of University College of Education, Winneba (UCEW);

* The completion of extension works to the library, students hostel and lecture halls at the Nyankpala campus of the University of Development Studies

368. In line with Government's Policy to expand access to tertiary education and training, work on the establishment of Wa and Bolgatanga Polytechnics was completed and are ready to start the HND Programme.

369. Mr. Speaker, under the GPRS, the Ministry of Education is one of the Agencies that has programs with the objective of preventing the spread of HIV/AIDS. In 2002 the

Ministry spent ¢200 million on various HIV/AIDS programmes in Schools and Institutions to combat the scourge of HIV/AIDS and STIs.

Outlook for 2003

370. Mr. Speaker, the 2003 budget of the Ministry of Education is geared towards the implementation of access to education, the reduction of gender disparities and skills development training as key medium term priority programmes of the GPRS for the education sector.

371. Attention will be focused on the following activities for the attainment of the key GPRS education sector priorities:

372. Mr. Speaker, on the rehabilitation and development of physical infrastructure, it is expected that 2,000 six-unit classroom blocks at the basic level in deprived areas will be rehabilitated. A total of 24 rehabilitation and 66 Construction projects costing ¢9.180 billion will be undertaken in Senior Secondary Schools in rural areas.

373. Construction of 505 three-unit Classroom blocks, each with a KVIP for Basic Schools will commence this year.

374. Mr. Speaker, the Ministry will continue work towards the provision of a model senior secondary school in each district as outlined in H.E. the President's state of the nation's address a few weeks ago. In initial phase, 30 senior secondary schools throughout the country have been identified to be brought up to standard as model schools. This will involve the provision of libraries, and science laboratories and equipment, rehabilitation of infrastructure and the provision of adequate teaching staff at a cost of about ¢50 billion.

375. Mr. Speaker, an amount of ¢105.5 billion has also been allocated in the 2003 budget to begin the process of attaching pre-schools to all basic schools that do not already have them. This scheme will involve the provision of infrastructure, teachers and the supply of teaching and learning materials.

376. The Ministry will provide material support for needy girls as a strategy for increasing girl's enrollment as well as promoting their retention in school.

377. Efforts to equip pupils with requisite skills for world of work will be intensified. Vocational and Technical Resource Center Project to provide modern equipment and plant in 20 technical institutes will be completed this year. A total of ¢1.4 billion has been provided for the project.

378. Other activities the Ministry will undertake this year include:

* in-service training of 18,000 teachers;

* Organisation of Performance Monitoring Test (PMT) and School Performance Appraisal Meetings (SPAM) in all Districts;

* increase in supply of teaching and learning materials in all schools; and

* strengthening accountability system in schools.

379. The total allocation to the Ministry of Education in 2003 is ¢2,775.9 billion representing 68.2 per cent of the total Social Services Sector allocation.

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2003 BUDGET STATEMENT (Part Three)

The Hon.Minister of Finance, Mr. Yaw Osafo-Maafo has presented the 2003 Budget Statement to Parliament (full text).

Ministry of Women and Children's Affairs

380. Mr. Speaker, enhancing women's access to and control of productive resources is one objective of the Ministry of Women and Children Affairs under the GPRS. Activities identified to enable the achievement of these objectives include the promotion of women's access to credit and promotion and strengthening of women's micro enterprises. To ensure increased participation of both women and children in the development of the country, the Ministry undertook a number of activities and programmes geared to their needs to reduce poverty.

Performance in 2002

381. Mr. Speaker, consistent with the GPRS, in 2002 the Ministry undertook several activities that were designed to reduce poverty among women through gender sensitisation and increased access to flexible credit terms for small and micro enterprises. An amount of ¢9.2 billion of HIPC resources and ¢24.2 billion from the Women Development Fund (WDF) was released for this purpose. The major achievements include:

* the granting of credit to 13,100 women farmers for the production of cassava, maize and rice countrywide, 8,500 fishmongers, 10,000 gari processors and 7,000 women in other trading activities;

* the Ministry also distributed 250 machines for gari, sheabutter and groundnut oil processing to women groups in all regions of the country. One hundred leisure boxes and library books were distributed to deprived communities in the Central, Northern, Upper East and Upper West Regions;

* the donation of sewing machines to some vocational schools;

* training workshops on demonstration of tomato processing machines were organized for women farmers; and

* a Forum on Safe Motherhood for 400 participants to create awareness on high pregnancy morbidity rates and methods to promote safe pregnancies was organised.

Outlook for 2003

382. Mr. Speaker, in line with the GPRS key objective of enhancing women's access to and control of productive resources, the ministry, in 2003, will continue with the on-going activities under the HIPC and WDF programmes and initiate some new ones. The new ones will include:

* workshop for 100 women in iodized salt at Ada;

* education of 500 nutritionist in 50 second cycle schools;

* training for 1000 micro finance beneficiaries;

* finance and training of 2000 gari, sheanut and tomato processors;

* distribution of 1500 leisure boxes to 500 communities;

* rehabilitation of 500 street children;

* sensitization of 500 communities on Gender Policy;

* education of 500 communities on Safe Motherhood practices; and

* 20 Regional based workshops on Sexual Abuse and related Sexually Transmitted Diseases.

383. The Ministry of Women and Children’s Affairs has been allocated ¢9.7 billion. This will be augmented by HIPC and WDF resources.

Ministry of Manpower Development and Employment

Performance in 2002

384. Mr. Speaker, improvement in skills training is of major concern to Government under the GPRS. As part of the efforts to promote community-based vocational and technical skills training, the National Vocational Training Institute (NVTI) opened 10 new centres at Bremen Asikuma, Sampa, Axim, Heman-Buoho, Anum, Manso-Amenfi, Gbeogo-Namalteng, Kumawu, Bolgatanga and new Ayoma. About 1000 JSS leavers

were admitted to these centres to pursue various courses ranging from hairdressing to computer technology.

385. Thirty-five additional Integrated Community Centres for Employable Skills (ICCES) started skills training, and 5 regional centres (Accra, Takoradi, Kumasi, Sunyani and Tamale) were identified as NVTI Computer Skills Training Centres. A site was acquired in Kumasi and is being developed to train Instructors for Technical and Vocational Institutions.

386. Mr. Speaker, recognising the high youth unemployment problem, the Ministry is expanding all its vocational/technical and skill training institutions to maximize their intake. The Ministry also instituted a policy to open all social welfare training institutions as well as rehabilitation centers hitherto exclusively for the disabled to the public.

387. The vocational training curricula were reviewed to increase their relevance to the current labour market. Entrepreneurship and co-operative programmes were added, and graduates exposed to micro financing to encourage the youth to enter into self-employment.

388. Mr. Speaker, a feasibility study was completed on the viability of training the youth in bamboo and rattan craft at Anyinam, Offinso, Akrokerri, Wassa Saa and Assin Jakai. Four NVTI centres were designated as bamboo centres and one of the centres started adapting wood producing machines to process bamboo.

389. Mr. Speaker, in 2002, 1,218 trainees completed training in employable, vocational/ technical skills through a special outreach programme in partnership with master craftsmen/women and were awarded certificates at the Accra and Sekondi-Takoradi Institutes of Opportunities Industrialisation Centre (OIC), while 945 disadvantaged youth were enrolled in these centres.

390. The Department of Co-operatives mobilized, nurtured and registered 364 co-operative societies in the year 2002. This was against 207 societies registered in 2001.

391. The Department organized capacity building courses for 500 co-operative societies and other collaborative NGOs to sharpen their skills and enhance efficient management of their businesses and improve their competitiveness and incomes.

392. Mr. Speaker, various interventions were undertaken by the Ministry for the registered unemployed youth. In this direction, competency based training modules of 6 weeks duration were developed in selected trade areas for artisans and master craftsmen/women in tailoring and dress making, refrigeration, air-conditioning among others.

Outlook for 2003

393. Mr. Speaker, over 60 per cent JSS graduates either enter the informal traditional apprenticeship system or join the ranks of the unemployed youth in the urban centres. To arrest the situation the following activities the Ministry will:

* provide support to increase access to technical, vocational education and training to all categories of persons including persons with disabilities and other vulnerable groups;

* reform and strengthen the traditional apprenticeship system to improve productivity in the informal sector;

* develop training systems and mechanisms to facilitate coordination and linkages between different sectors of the economy including research institutions and industries; and

* reform and improve the facilities at Rehabilitation Centres of the Department of Social Welfare to enable all categories of persons including the disabled and other vulnerable groups gain access to an integrated training programme.

394. The competency-based training courses for which modules of short duration were developed last year in selected trade areas for key Artisans and Master craftsmen/women in tailoring and dressmaking, refrigeration, air-conditioning will begin this year.

395. A draft Labour Bill is now in this august house. The implementation of which will involve the establishment of a National Labour Commission to facilitate the settlement of industrial disputes and maintenance of industrial peace. The Labour Department will also be restructured.

396. The (MDPI) will also increase their activities in the area of capacity building to support existing enterprises in productivity awareness, measurement and entrepreneurial skills development.

397. A total allocation of ¢42.6 billion is made to the Ministry of Manpower Development and Employment for 2003.

Public Safety Sector

398. Mr. Speaker, the Public Safety Sector comprises of the Ministry of Justice, the Ministry of Defence, the Commission for Human Rights and Administrative Justice (CHRAJ), the Judicial Service and the Ministry of the Interior. For the implementation of their 2003 programmes the sector has a total allocation of ¢1,222.0 billion representing 11.7 per cent of total discretionary expenditure.

399. In an effort to deepen good governance these agencies were strengthened to better protect the freedom and security of the people of Ghana.

Ministry of Justice

Performance in 2002

400. In order to improve speedy adjudication of both civil and criminal cases 30 Attorneys were recruited.

Outlook for 2003

401. Mr. Speaker, in the year 2003, the Ministry will establish a Business Law Division to reform all laws which impede the establishment and growth of businesses.

402. In addition, the Ministry will recruit 30 more Attorneys to further improve the speedy adjudication of both civil and criminal cases and deepen the respect of human rights.

403. The mechanization and installation of local area network to facilitate effective coordination and monitoring of activities will be implemented this year.

404. The Registrar General's Department will this year install computers to facilitate the process of business registration and the search for information and registered businesses.

405. For these activities the Ministry has been allocated a total of ¢37.3 billion for 2003.

Judicial Service

Performance in 2002

406. Mr. Speaker, the refurbishment of the 10 Regional High Courts and the Supreme Court Library started in 2002.

407. Mr. Speaker, the automation of the Courts as a means of improving Judicial administration in Ghana involving the refurbishment of the Supreme Court Library and the High Court Registries in all the ten Regions of the Country was started during the year.

408. Some training programmes and seminars were organized for Judges during the year. In addition the Service facilitated the training of Scopists and Court Recorders.

Outlook for 2003

409. The automated court system will be extended to all regional capitals of the Country with two fully automated Courts each in Kumasi and Sekondi.

410. In this connection the following training programmes will be organized:

* training in computer skills and case management for 50 judges and 184 supporting staff of the 10 High Courts in the regional capitals; and

* training of 120 supporting staff in computer skills in Records and Registry management.

411. The introduction of court mechanization and computerization in the Juvenile and Family Tribunals in the regional capitals will continue this year.

412. The Supreme Court Library will be equipped with books and on-line services to improve research facilities and thus speed up the compilation of Judgments. The refurbishment of 10 regional High Courts will also be completed and equipped with books to facilitate research.

413. An amount of ¢95.9 billion has been allocated to the Judicial Service for its programmes in 2003.

Ministry of Defence

Performance in 2002

414. Mr. Speaker, during the year, a number of mini-PABX systems were installed in some of the units in Kumasi, Tamale and Sunyani of the Northern Command, thereby improving the level of communication among the units in the Northern Command.

415. The building of the commercial and computer center to promote computer literacy and education is 70 per cent completed. In connection with this 300 Ghana Armed Forces (GAF) personnel went through IT training.

416. The first phase of the Armed Forces Barracks Rehabilitation Project comprising 10 projects was completed.

417. About 50 per cent of the work on the improvement of infrastructure at the Kofi Annan International Peacekeeping Training Centre (KAIPTC) was carried out in 2002.

418. The Ghana Armed Forces (GAF) over the year has put in place a number of health delivery programmes aimed at enhancing poverty reduction. In this connection, the Ministry was able to acquire 10 ambulances to facilitate the effective operation of its Emergency Response Unit.

Outlook for 2003

419. Mr. Speaker, the Ghana Armed Forces in 2003 will improve upon its combat readiness and strategic logistical support for rapid response and internal and external peacekeeping operations.

420. The second phase of the Ghana Armed Forces Barracks Rehabilitation Project will commence, while work on the Burma Camp exchange project will continue.

421. It is expected that work on the Kofi Annan International Peacekeeping Training Centre Project will be completed this year.

422. The GAF will actively support the civil authorities in combating crimes and the promotion of peace and stability for the socio-economic development of the nation within a decentralized democratic government. The Ministry of Defence has been allocated ¢439.2 billion to carry its programmes and activities for 2003.

Ministry of Interior

423. Mr. Speaker, the Ministry of Interior and its agencies have been allocated ¢624.7 billion for 2003.

424. The Ministry in 2002 improved coordination and cooperation among the security agencies through the National Security Committee. A number of actions were also initiated towards ensuring that the country's development was undertaken within a safe and secure environment.

Ghana Police Service

Performance in 2002

425. Mr. Speaker, the year 2002 has witnessed drastic reduction in the crime rate. This has been achieved through the collaborative effort of the Police and Military. This achievement was enhanced by the acquisition of 413 vehicles of various types and the rehabilitation of 100 Land Rovers.

426. The improvement in the transportation system of the Police Force has ensured that most Police Stations in the country now have vehicles to promote effective and efficient operation.

427. Mr. Speaker, the recruitment of 1,830 new police personnel improved the maintenance of law and order and helped to reduce the incidence of crime.

Outlook for 2003

428. Mr. Speaker, the availability of a reliable and efficient communication equipment is vital for the effective performance of the Police Service. Steps will be taken to establish a nation-wide communication system to link all Police Stations and all security agencies.

429. More two-way radios, mobile phones, fax machines, line telephones and PABX telephone exchange will be acquired. Increased day and night patrols in towns, cities and communities will be undertaken using the over 400 vehicles acquired in 2002. To boost

morale in the service, new Police barracks are to be constructed to meet the accommodation needs of the Ghana Police Personnel this year.

430. The Ministry will in 2003 develop the following policies among others aimed at ensuring greater safety and security in the country:

* a policy on early warning system on internal conflicts to help avert or at least minimize the numerous chieftaincy, land, labour and other disputes which cost the nation billions of cedis;

* a policy on the management and usage of explosives; and

* a policy on Private Security Organisations to streamline their activities.

431. Mr. Speaker, it is envisaged that in 2003 a highly efficient computerized crime and criminal database and information system will be established to ensure speedy gathering of information on criminals.

432. The Monitoring and Inspectorate Unit will be strengthened to help address acts of indiscipline and corruption in the Police Service. The Unit will also investigate public complaints against police personnel.

433. A comprehensive programme is to be developed to address the problems of domestic violence and child trafficking.

434. This year the Police Service will recruit 2,000 more personnel.

Ghana Prisons Service

Performance in 2002

435. Mr. Speaker, in 2002, the Ghana Prisons Service recruited 557 prison officers to improve the officer to inmates ratio.

Outlook for 2003

436. Mr. Speaker, new Camp Prisons are to be established at Yeji in Brong-Ahafo Region and Akaa in the Volta Region. The camps will help to decongest existing prisons and enhance agricultural training schemes in the Prisons Service.

437. The requisite machinery and equipment will be procured to impart the necessary vocational and industrial training to prisoners to ensure their rehabilitation.

438. About 300 prisoners who will have acquired the requisite skills would be resettled after their release from prisons.

439. A programme for the relocation of some of the prisons will be initiated with the Maamobi Prisons Complex being the first to benefit.

Ghana National Fire Service

Performance in 2002

440. Mr. Speaker, the Ghana National Fire Service acquired 89 new fire tenders, 11 command vehicles, one workshop van, stand-by generator and 200 drums of foam compound during the year as part of Government's efforts to improve upon the performance of the Service.

441. Three new Fire Stations were opened at Weija near Accra, Ejisu in Ashanti Region and Aveyime Battor in the Volta Region.

Outlook for 2003

442. Mr. Speaker, fire education will be intensified throughout the country against bush fires as well as fires in markets, institutions, work places and among the general public. In addition more fire volunteer squads are to be established in the country while steps will be taken to augment the number of fire cadets in second cycle schools.

443. The Fire Precautions (Premises) Regulations will come out this year. This should provide a basis for the Fire Service to ensure that all premises are better organized for the prevention and management of fires.

Narcotics Control Board (NCB)

Performance in 2002

444. Mr. Speaker, the Narcotics Control Board (NCB) intensified its efforts towards countering the menace of drug trafficking in the country. The capacity of the NCB was improved by the acquisition of equipment for the detection of drugs at Kotoka International Airport.

445. The Board also undertook drug awareness campaign in 20-second cycle schools to educate students to avoid the use of drugs.

Outlook for 2003

446. Mr. Speaker, the Board will increase its activities to apprehend drug traffickers and barons especially at Kotoka International Airport and continue with its programme for the destruction of cannabis farms.

447. The Board will also establish pilot drug treatment and rehabilitation centres in the country to help drug addicts.

448. The Board will establish offices at Sampa, Elubo, Aflao and Tema Harbour. The pilot Alternative Development programme will be extended to other districts in the country.

Ghana Immigration Service

Performance in 2002

449. Mr. Speaker, to ensure that our country is free from undesirable visitors, the Immigration Service prosecuted 250 persons for various document frauds and breaches of the country's Immigration Laws. Also a total of 295 foreigners were repatriated/deported from Ghana in the year 2002.

450. The Ghana Immigration Service in conjunction with the Ghana Refugee Board registered 40,000 persons at the Bududuram Refugee Camp. These will be screened to identify the genuine refugees to accord them proper refugee status.

Outlook for 2003

451. Mr. Speaker, the Service will complete a Data Centre to improve data management during the course of the year.

452. The communication system within the Service will be improved to enhance effectiveness and efficiency.

Administration Sector

453. The Administration Sector has been allocated a total amount of ¢1,496.5billion representing 14.3 per cent of total discretionary expenditure.

Ministry of Finance

Performance in 2002

454. Mr. Speaker, as part of the public expenditure management system the Ministry of Finance undertook the following:

* established a Budget Development Unit to internalize the Medium Term Expenditure Framework (MTEF) process within the Budget Division as well as MDAs; * introduced an allocation register to track releases made to MDAs; and * established a Public Expenditure Monitoring Unit to collate data on expenditure returns from MDAs.

455. In addition, the Ministry continued to use the commencement certificate as the basis for starting new and ongoing projects while the Project Implementation Monitoring Unit

(PIMU) carried out field inspections of MDA projects for which interim payment certificates were submitted.

456. Mr. Speaker, a Non-Tax Revenue Unit was established in the Ministry to facilitate the collection, accounting and reporting of non-tax revenues from MDAs.

457. The recovery of Government on-lent and guaranteed loans is another area of focus by the government in her effort to increase domestic revenue mobilization. In pursuance of this objective, the Ministry in 2002 appointed 21 debt collection agencies to assist in the recovery of loans.

458. As a result, the Ministry recovered a total of ¢48.4 billion from State Owned Enterprises, Parastatals and Private companies as against ¢6.2 billion in 2001.

459. The ability of existing staff to acquire the necessary skills to carry out their assignments under the new Budget and Public Expenditure Management System (BPEMS) was enhanced through training.

Outlook for 2003

460. Mr. Speaker, for its programmes in 2003 the Ministry has been allocated ¢231.2 billion. Among the activities to be undertaken by the Ministry:

* organization of training for MDA Budget Committees and members of the Budget Development Unit on the budget preparation and implementation process; and

* establishment of a collaborative team with Civil Service Performance Improvement Programme (CSPIP), National Institutional Renewal Programme (NIRP) and other relevant agencies on linking items 1 and 2 to MDA objectives.

461. With the assistance of debt collecting agencies, the Ministry will also pursue all SOEs and Private companies indebted to Government.

462. It is expected that with the on-going verification and certification of outstanding balances of debts owed to Government by debtor organisations, an estimated amount of ¢68 billion will be recovered in 2003 representing an increase of about 40 per cent above the recoveries made in 2002.

463. The Ministry will re-introduce the defunct cross-debt clearing system, which existed among the utility service providers and address all problems that inhibit the operation and functioning of the system.

464. Field inspection of MDA projects will continue to form the basis of examining interim payment certificates.

465. Mr. Speaker, the current structure of the Ministry of Finance does not adequately support the efficient execution of its mandated functions. To address this problem, the Ministry will be restructured to focus its operations on its core functions of:

* ensuring macroeconomic stability and economic growth; and
* resource mobilisation and allocation.

466. The restructuring programme has the objective of enhancing administrative efficiency and making the operations of the Ministry more performance oriented.

Ministry of Local Government and Rural Development

Performance in 2002

467. Mr. Speaker, it is to be noted that the involvement of more people and institutions in the formulation and delivery of development policy for poverty reduction and growth (GPRS) is a mark of the decentralization policy under the Ghana Poverty reduction Strategy.

468. To this extent, in 2002, the Ministry of Local Government and Rural Development (MLGRD) prepared draft bills reviewing the Local Government Law 1993, (Act 462) and for the establishment of the envisaged Local Government Service to the Attorney-General's Department through Cabinet for onward transmission to Parliament. It is expected that the revised Law will be promulgated to enhance the widening of access of the public to political authority and improve their involvement in the process of governance.

469. Mr. Speaker, as part of the Ministry's activities to strengthen the administrative capacity of District Assemblies, 23 pick-up vehicles were procured under the Urban V project and handed over to the beneficiary districts. Also, training was provided to the staff of these districts in the areas of development planning, municipal finance, municipal engineering and computer skills.

470. Waste Management equipment, including cesspit emptier trucks, solid waste containers valued at about ¢8.6 billion were also procured under the project for distribution to the 11 beneficiary district assemblies.

471. Mr. Speaker, the Kumasi Subin drainage works, and the first phase of the Odaw drainage works in Accra under the Urban Environmental Sanitation Project (Urban IV), were completed and commissioned in 2002.

472. Under the same Project, the Ministry began work on the construction of:

* phase two of the Odaw Primary Drain in Accra;

* sanitary landfills in Tamale, Kumasi, and Sekondi; and

* sewage treatment facility in Tema and Accra.

473. The pilot solid waste collection exercise involving the use of the private sector for solid waste collection in Tamale, Kumasi, Sekondi/Takoradi and Tema continued.

474. Under Urban V Project, work on the rehabilitation of basic municipal services, including markets, lorry parks, public toilets, town roads, slaughterhouses commenced in 24 of the 25 beneficiary towns during the year. Work in 9 of the 24 towns were substantially completed and handed over to the beneficiary districts during the year.

475. Mr. Speaker, under the Promotion of District Capitals Programme, the defects liability period for the contractors who constructed the water supply schemes in Ejura, Kintampo and Nkoranza ended in November 2002. The schemes were operated by the communities throughout the year.

476. in line with the programme of facilitating the entry of women's groups into small-scale commercial and artisanal and entrepreneurial ventures, the Department of Community Development facilitated the formation of 1,200 women's groups totaling 18,000 members in 2002.

477. A total of 3,508 youths were given vocational skills training, made up of 2,876 young women in 20 Women's Training Institutes (WTIs) and 632 young men in 4 Centres for Rural Industries (CRIs).

478. Work was also initiated on 9 constructional and 8 rehabilitation projects in the various WTIs and CRIs while gas installation in all the 24 vocational institutions are ongoing.

Outlook for 2003

479. Mr. Speaker, an amount of ¢273.7 billion has been allocated to the Ministry of Local Government and Rural Development in 2003.

480. The following major construction works under the Urban IV Project which commenced last year to reduce flooding and improve environmental sanitation in our major towns shall be completed by December 2003. They are:

* Phase two of the reconstruction of the Odaw drain in Accra; and
* Construction of Sanitary Landfills in Tamale, Kumasi and Sekondi.

481. In addition, phase three of the reconstruction of the Odaw drain in Accra will commence this year. The pilot solid waste collection exercise involving the use of the private sector for solid waste collection in Tamale, Kumasi, Sekondi/Takoradi and Tema will also continue in 2003.

482. Under the Urban V Project, the Ministry will complete work on rehabilitation of basic municipal services, including markets, lorry parks, public toilets, town roads, slaughter houses in the remaining 16 of the 25 beneficiary towns during the year.

483. Mr. Speaker, the Ministry will also commence reconstruction of a total of 20km of town roads in 10 selected towns, and commence the procurement process for 23 cesspit emptiers and 20 solid waste collection skip trucks to enhance environmental sanitation in the 25 towns. 484. As a further step to data upgrading towards, improved planning, property valuation and overall revenue generation, aerial photography and digital mapping of a total of 2000 sq. km. of built up areas will commence in all 25-project towns during 2003.

485. The Ministry, under the District Capitals II Project, will construct markets and/or lorry parks in 10 Districts in the Ashanti and Brong Ahafo regions this year.

486. The Department of Community Development will facilitate the entry of 1600 women's groups into small-scale commercial/artisanal and entrepreneurial ventures.

Ministry of Economic Planning and Regional Cooperation/National Development Planning Commission (NDPC)

Performance in 2002

487. Mr. Speaker, major achievements of the National Development Planning Commission (NDPC) in 2002 include the following:-

* publication of the GPRS document;

* development of Guidelines using the GPRS as basis for preparing District Development Plans;

* linking the GPRS into the budgetary process;

* supervision of the preparation of District Medium-Term Development Plans in 93 of the 110 District Assemblies; and

* submission to Parliament of Development Policy Framework, in the form of a coordinated social and economic development programme.

488. Mr. Speaker, as part of the activities of the Ministry of Economic Planning and Regional Cooperation, an action plan to operationalise the recommendation arising from consensus building effort to accelerate economic growth and development of Ghana was developed.

489. The National Monitoring and Evaluation software – "PlanInfo"-was reviewed for installation and use in four districts. A wireless Internet connectivity for Internet access,

Local Area Network (LAN) and an Internet System for the Ministry and NDPC are in operation.

490. One hundred and fifty-six companies and 255 products have been admitted into the ECOWAS Trade Liberalization Scheme as part of the effort of Ghana to facilitate intra-regional trade.

491. Four major interventions targeting mostly women under the Emergency Social Relief Programme (ESRP) were implemented. These are:

* micro-credit for small scale fish processors;

* a loan scheme for small scale poultry farmers;

* outboard motors for fishing communities; and

* food marketing loans to small scale food marketers.

492. An amount of ¢4.62 billion from HIPC Resources was disbursed in line with ESRP guidelines.

493. Activities of the Community-Based Poverty Reduction Project (CPRP) took off in of May 2002. The Project comprises three components: Poverty Measurement; Street Children; Health and Nutrition.

494. Mr. Speaker, the Social Investment Fund (SIF) expanded its coverage of activities from 6 to 45 districts during the period. Sub-projects funded by SIF included:

* a fish smoking center and a satellite clinic in Accra;

* two boreholes in the Bongo District;

* the supply of furniture to the Vea Basic School were commissioned; and

* telecommunication equipment was installed at Bongo District Assembly.

495. The Government of Ghana in collaboration with the United Nations Development Programme initiated the Wealth Creation and Social Development Programme (UNDP)(WCSDP) to support the building of national capacity to implement the GPRS and also build capacity for sustainable production and income generation.

Outlook for 2003

496. Mr. Speaker, the major output of work of the NDPC work programme in 2003 will be the effective and efficient coordination, monitoring and evaluation of the GPRS for the

desired impact on poverty reduction and growth through employment and wealth creation.

497. In this connection some of the activities to be undertaken include:

* co-ordination and monitoring and evaluation of the GPRS;

* finalisation and presentation of the national development strategy to Parliament and co-ordination of related development plans; and

* facilitation of the revision of the District Medium Term Development Plans and the preparation of Sectoral Plans.

498. Mr. Speaker, the work programme of the Ministry of Economic Planning and Regional Co-operation will include the following:

* sensitisation of exporters on the ECOWAS Trade Liberalisation Scheme (ETLS) on quarterly basis, together with the Ministry of Trade and Industry;

* the institutionalisation of the provision for free movement of goods, persons and 24 hour open borders by the second quarter of the year;

* the monitoring and evaluation on a quarterly basis of the implementation of the convergence criteria of ECOWAS member countries and working towards the adoption of a common currency in 2005; and

* in collaboration with the Ministry of Foreign Affairs, serve as liaison to external organizations such as the NEPAD Secretariat and ECOWAS.

499. An amount of ¢21.8 billion has been allocated to the Ministry to implement its programmes in 2003.

Ministry of Information and Presidential Affairs

Outlook for 2003

500. The Ministry of Information and Presidential Affairs will in 2003 be committed to broader and structured consultation for the enhancement of channels of communication with the people and feedback to inform policy formulation and national ownership of programmes to ensure effective implementation and sustainability.

501. Accordingly, the Ministry of Information and Presidential Affairs will be supported to implement a development communication enhancement programme that will strengthen public and private development communication agencies, promote media professionalism and bridge the digital divide in the country and enhance E-Governance among others.

502. The Ministry has been allocated an amount of ¢87.3 billion cedis for its programmes in 2003.

SECTION SIX: POVERTY REDUCTION AND UTILISATION OF HIPC FUNDS

Poverty Reduction

Performance in 2002

503. Mr. Speaker, last year Government committed itself to a systematic reduction of poverty through the implementation of the Ghana Poverty Reduction Strategy whose main goal is to ensure sustainable equitable growth, accelerated poverty reduction and protection of the vulnerable and excluded within a decentralised democratic environment.

504. In 2002 actual expenditures for basic services, and income generation activities for the poor and vulnerable of the society amounted to ¢2,710.9 billion made up of ¢2,535.8 from GOG and ¢175.14 billion of HIPC resources (Total excludes donor poverty expenditures). The amount represents 25.5per cent of total Government Expenditure.

505. By the end of the year about 75per cent of that allocation was spent on basic human development services - primary health care, basic education and safe drinking water. The rest of the resources were spent on other poverty reducing activities such as employment generation, good governance, human rights, public safety, disaster management and in improving the well being of the vulnerable in the society.

506. In 2002 emphasis was also placed on the creation of employment opportunities through training in vocations and employable skills of the youth including those with disabilities and the provision of credit and food-processing machinery to women, particularly.

Utilisation of HIPC Relief Funds in 2002

507. Mr. Speaker, Government's decision to access the Highly Indebted Poor Countries (HIPC) Initiative was taken amid much anxiety by Ghanaians. The decision was a bold one, but one which many people were not sure, would yield much benefit. One year on, I can positively say that as a nation, we have made gains, part of which would not have been possible without recourse to the HIPC funds.

508. Total projected HIPC relief savings for 2002 for both government and government guaranteed debt was about US$ 275.35 million (approximately ¢2.22 trillion). Out of this about US$92.5million (approximately ¢746.42 billion) was to be lodged in the HIPC account at Bank of Ghana and US$ 182.85 million (approximately ¢ 1.47 trillion) to be cancelled. As at end 2002, a total amount of US$57.02 million (approximately ¢460.12 billion) had been lodged into the HIPC account, received mainly from World Bank, ADF/ADF and IMF.

509. Though the HIPC Initiative is internationally driven, the process has been controlled internally and local priorities are driving the disbursement and use of funds.

510. Our programme for the use of the debt relief comprises three main elements:

* using a proportion of the relief for domestic debt reduction;
* funding projects developed by sector Ministries, Departments and Agencies for poverty reduction and growth; and
* funding specified projects submitted by District Assemblies.

511. Mr. Speaker, as planned, a ¢81.4 billion of the relief from HIPC has gone into reducing domestic debt thereby reducing pressure on Government.

512. Mr. Speaker, disbursements made for MDAs projects under HIPC for 2002 totalled ¢116.6 billion. These projects were targeted primarily at reducing poverty, generating employment and enhancing growth. A matrix on the utilization of HIPC funds by DMAs is included in the Appendix. Examples include:

* an amount of ¢17 billion disbursed by the Ministry of Women and Children's Affairs for small businesses in agro processing, gari processing groundnut processing involving over 15,000 women;

* the ¢18.6 billion Farmers Assistance Programme under the Office of the Senior Minister to support over 40,000 small scale farmers across the country;

* the ¢9.9 billion disbursed under the Emergency Social Relief Programme (ESRP) under the Ministry of Economic Planning and Regional Cooperation to small scale crop growers in the Northern, Central, Upper East, Upper West and Eastern Regions;

* A sum of ¢6.12 billion provided for the completion of craftsmen's centres at Aburi, Ahwia, Bolgatanga, Kpando and Salaga under the programme of the Ministry of Trade and Industries to employ over 2,000 persons;

* ¢26 billion disbursed to the Community Water and Sanitation Agency for rural water projects especially in the guinea worm endemic areas;

* 7.8 billion disbursed by the Ministry of Energy to provide electricity to benefit 22 districts and 109 towns.

513. The allocation to Metropolitan, Municipal and District Assemblies was ¢117 billion, half of which was disbursed with the remaining half currently being processed for disbursement subject to effective use of the first tranche. The specified projects for districts were in the areas on education, health, water and sanitation. This tranche of HIPC disbursement is being managed through the Ministry of Local Government

Programme for use of HIPC Funds in 2003

Outlook for 2003

514. For the second year of the implementation of the GPRS Government directed a deepening of the integration of the poverty reduction programmes of all MDAs into the budget process. Emphasis is being placed on Government's medium term development priorities.

515. To implement programmes and projects more directly affecting the poor, Government has allocated a total of ¢4,633.0 billion made up of ¢3,553.0 billion from GOG, and ¢680 billion from the HIPC fund for 2003 and about ¢400.0 billion of HIPC resources over from 2002. The total poverty reduction allocation in 2003 excluding Donor resources is an increase over the 2002 actual expenditure and represents 29.6 per cent of total Government Expenditure.

516. The resources will be used to improve human development through increases in access to basic services in education, health and sanitation, safe water and for improvements in incomes of the poor and vulnerable of the society through employment generation and the provision of productive assets. Priority will also be given to the implementation of special programmes for the vulnerable and excluded such as equipping kayayei and the physically challenged with employable skills, mitigating the impact of disasters on victims and protection of the rights of women and children.

517. Mr. Speaker, as Government has repeatedly stated since the beginning of its term of office, there can be only limited poverty reduction without growth. Government is therefore committed to ensuring that the benefits of the enhanced HIPC programme are accomplished and channelled to both poverty related and growth enhancing projects.

518. The debt relief from HIPC this year will be used to support the implementation of the five Medium Term Priorities areas which have been outlined in the Ghana Poverty Reduction Strategy (GPRS) including reducing the domestic debt. As was the case last year, 20per cent of the total relief will be used for domestic debt payments with the remaining proportion of the relief focused on growth areas where the poor participate most, such as agriculture and in the informal sector.

519. Government is determined to use HIPC relief as instrument to deepen its decentralization policy and will channel more funds directly to the Districts. To ensure proper and effective use of such resources, District Chief Executives are expected to coordinate their activities with sector ministry officials such as District Education, Health and Planning Officers.

520. The relief from HIPC will ensure a fuller implementation of priority programmes due to increased fiscal space provided by the debt relief. The MTP to be supported include the modernisation of agriculture, which requires US$27 million but for which only US$0.63 million could be financed in the 2003 budget. Other areas in the MTP to be

funded by HIPC include the provision of employable skills estimated to cost US$5 million in 2003 and ICT access to schools estimated to cost US$8 million.

521. Micro finance programmes will be expanded to ensure that even more people can engage in profitable ventures, create wealth and reduce poverty. The revolving credit schemes set up in 2002 for the use of the HIPC funds will be streamlined to ensure efficiency in the use of resources.

522. Additional funds for increasing access to quality education, health and sanitation will be disbursed through the Metropolitan, Municipal and District Assemblies from HIPC relief. It is expected that these funds will be additional to what Districts regularly plan and budget for using the District Assemblies Common Fund.

523. The tracking system for the use of HIPC funds, introduced last year, has motivated us to spend the relief, based on our priorities to reduce poverty and to enhance growth initiatives. This year, the tracking and monitoring system for the use of HIPC funds will be strengthened to safe guard the use of these funds.

524. In education sector in particular, HIPC funds will be used to address the existing inequities between urban and rural deprived areas. Gender inequalities will also be addressed. Work on upgrading thirty (30) senior secondary schools, in all ten (10) regions of the country as highlighted in the President's State of the Nation Address for 2003, will receive about ¢50 billion from HIPC relief funds. In addition, funding will also be provided to establish scholarships for bright students from deprived rural areas to gain admission into the more established schools.

525. For health, funds from HIPC will support the establishment of the health insurance schemes and means of ensuring quality and affordable health service and coverage for the poor to enhance the delivery of health services.

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2003 BUDGET STATEMENT (Part Four)

The Hon.Minister of Finance, Mr. Yaw Osafo-Maafo has presented the 2003 Budget Statement to Parliament(full text).

SECTION SEVEN: POLICY INITIATIVES FOR 2003

526. Mr. Speaker, among other objectives, the 2003 budget aims at reducing the reliance on net domestic financing and minimizing the dependence on donor inflows. As noted earlier, despite the promising prospects of the emerging multi-donor budgetary support arrangements with development partners, our firm belief is that a government that mobilises its revenue through a well-developed domestic tax system and manages its

expenditure efficiently is able to respond to the needs of its citizens even in the face of adverse external shocks.

527. Major policy initiatives that address the concerns of Ghanaians, especially people in the lower income brackets for this year will include:

* implementation of the National Health Insurance Scheme (NHIS);
* revenue enhancement measures; and
* support to local industries. National Health Insurance Scheme

528. Mr. Speaker, you may recall that during his State of the Nation's address to Parliament, His Excellency the President, mentioned the need to fashion out a policy that will guarantee basic medical care for all Ghanaians. That is, a policy that will abolish the cash and carry system in this country.

529. To this end, Mr. Speaker, the Government has decided to establish the "National Health Insurance Scheme". The Ministries of Health and Finance are working out the details with the National Insurance Commission and other Insurance Companies to ensure its smooth operation. It is expected that this National Health Insurance Scheme will be operational by May, 2003.

530. Apart from its fiscal benefits, we expect the National Health Insurance scheme when fully operational, to have a positive distributional impact.

531. Mr. Speaker, forty-two (42) districts in this country have already introduced such schemes. Experience has, however, shown that, there has to be state intervention to ensure a basic uniform standard and quality nationwide. This will guarantee affordability and sustainability of the scheme in the medium term. In this regard, a contribution to the health insurance premium of 2½ per cent on expenditures and transactions is proposed to provide part of the funding necessary to establish the scheme.

532. The direct burden on the lower income group will be limited because a high proportion of their expenditures and transactions falls outside the applicable premium base. At the same time, the poor will derive maximum benefit from extra poverty reducing expenditures to be financed by the additional budget resources that will become available.

533. Mr. Speaker, it is further proposed that the existing Social Security Pensions Scheme, which provides for workers welfare after retirement has to be revisited, so that the scheme contributes a minimum of 2½ per cent of each worker's contribution of 17½ per cent towards the National Health Insurance Scheme. Workers must benefit from the scheme during their working life and the SSNIT Scheme should contribute to the health needs of workers. This will call for an amendment of Regulation 37 of SSNIT's existing scheme.

534. Mr. Speaker, it is expected that SSNIT will manage its resources such that overall pension benefits are not adversely affected.

Revenue Enhancement Measures

535. Mr. Speaker, a substantial proportion of our budgetary requirement is funded from donor sources. Government intends to reverse this trend through increased domestic resource mobilisation. This budget introduces new measures to enhance domestic resource mobilisation.

Debt Recovery Levy on Petroleum Products

536. Mr. Speaker, to ensure the achievement of full cost recovery as well as to help pay of the accumulated debt of TOR over time, a Debt Recovery Levy on petroleum products, at the rate not exceeding ¢640 per litre across board will soon be laid before Parliament.

Service Charge on Re-export of Warehoused Goods

537. A service charge of 5 per cent will be levied by Customs Excise and Preventive Service (CEPS) for the processing of warehoused goods to be re-exported.

Road Maintenance Levy

538. It is proposed to increase the fuel levy now designated as the Road Maintenance Levy be adjusted from ¢230 to ¢400 per litre of petroleum product.

Revision of First Schedule of Stamp Act 1965 (Act 311)

539. Mr. Speaker, it is proposed to review the charges and rates for stamp duty under the stamp Duty Act 1965 (Act 311). This revision will be presented to Parliament for consideration in due course.

Amendment of Airport Tax Act

540. The Airport Tax Act will be amended to enable the airlines collect the taxes through the ticket system as usual from passengers and pay over the monies collected direct to the Commissioner of Internal Revenue.

541. The Minister of Finance will subsequently pay the 40.0 per cent of the amount collected to the Ghana Civil Aviation Authority (GCAA) upon the certification of the Commissioner of Internal Revenue.

542. This is to ensure that there is regular flow of revenue to Government thus avoiding the delay associated with the remittance of the monies collected to the IRS after the monies have been paid to the GCAA by the various airlines.

Treatment of Bad Debt by Financial Institutions

543. Some financial institutions are capitalising on the concession granted in Section 7 of L.I. 1675 to write off specific standard bad debts. To streamline the assessment of tax liability, it is proposed to repeal Section 7 of L.I. 1675. All organisations should, therefore, comply with provisions of Section 18 of Act 592 (2000), which limits bad debt provisions to debt claims which cannot be satisfied having taken all reasonable and necessary steps to pursue payment.

Introduction of Sticker System

544. In view of the poor performance of the transport unions in the collection of income taxes from commercial operations, the Internal Revenue Service (IRS) has agreed with the Transport Council, to introduce a sticker system that will be based on standard assessment. These stickers would be procured quarterly and will be administered by the IRS.

Review of Rent Law

545. It has become increasingly clear that, the practise of landlords/landladies demanding two to three years rent advance is a problem for ordinary workers as well as prospective foreign investors.

546. Government has, therefore, decided that the Rent Law should be updated and enforced to protect workers and also to promote business in this country. In this regard, proposals will soon be presented to this House for consideration.

Operational Enhancement Measures

Monitoring of Temporary Importation of Vehicles

547. Mr. Speaker, a number of vehicles, particularly of ECOWAS origin, are brought into the country under temporary license but such vehicles sometime get registered under fake licenses. In order to check this fraud in vehicle registration, Customs, Excise and Preventive Service CEPS will acquire the software for the monitoring of temporary importation of vehicles to ensure that such vehicles some of which eventually get registered in the country pay the required duties and taxes.

Labelling of Products to Minimise Smuggling of Excisable Commodities

548. The level of smuggling of excisable commodities, especially, cigarettes and hard liquor, constitute a very serious revenue leakage. It is estimated that about 10 per cent of cigarettes consumed in the country is smuggled from other countries. To help improve revenue generation from this source, CEPS will introduce labelling of legally imported tobacco products and bottled spirits to distinguish them from local products.

Abuse of the Free Zones Facilities

549. To stem the abuse of the Free Zones system and reduce leakages under the programme the following measures will be implemented to ensure compliance with the Free Zones regulations:

* formation of a Technical Monitoring Committee (TMC) comprising representatives of IRS, CEPS, VAT and the Ghana Free Zones Board (GFZB); and
* periodic audit visits to the Free Zone companies will be made by the (TMC).

Disengagement of CEPS from Warehousing Activities

550. Mr. Speaker, CEPS will disengage itself from warehousing activities and rather concentrate on monitoring the warehouses. This will lead to self-policing on the part of warehouse providers.

Open-Ended Exemptions

551. Some exemptions have been identified to be open-ended. It is proposed to make all exemptions for any form of taxation time-bound. The Ministry of Finance will liaise with the Ghana Investment Promotion Centre (GIPC), Minerals Commission and all other relevant MDAs to streamline all such exemptions.

Refund Account for Duty Drawback

552. Duty drawback procedures are slow and cumbersome. Producers report that the minimum time required to realize draw back claims is between 3 and 6 months. To speed up the processing of claims, a refund account is to be established by CEPS to finance refunds for duty drawbacks in order to eliminate long delays.

Computerised Clearance System

553. The first phase of the implementation of the automation programme to enhance clearance of goods and revenue collection which took off at the Kotoka International Airport in November, 2002 is to continue during the year. It is expected that by the end of June 2003, the Tema Port would be on stream while Takoradi Port would be operational by August, 2003. The other frontiers, Aflao and Elubo, would be automated before the end of the year.

Destination Inspection Companies

554. Mr. Speaker, the operations of destination inspection companies impact greatly on import revenue. Inspection fees charged on transactions through land frontier stations are deemed as revenue and must be paid into the Consolidated Fund. To enhance valuation at these frontier stations, the destination inspection companies would be required to provide regular update of the price database to guide custom officers at frontier stations.

Establishment of IRS Refund Account

555. A Refund Account is to be opened at the Bank of Ghana into which a realistic percentage of quarterly collections will be paid for the purpose of settling over- payments resulting from withholding taxes, provisional assessments, capital allowances, losses carried forward etc.

Returns in Foreign Currency

556. The IRS, with the prior approval of the Bank of Ghana, will allow companies desirous of submitting their financial statements in the denomination of their parent companies to do so. In this connection, it is being proposed that Section 123 of the Internal Revenue Act 2000 (Act 592) be amended to incorporate the requisite guidelines for companies who wish to submit returns in foreign currency.

Exchange of Information with the MDAs

557. The IRS will liaise with the various MDAs to enable it capture data on consultants, professionals and other service providers to ensure access to information regarding potential tax payers and to promote the TIN programme.

558. All service providers, including consultants, providing services to any MDA are expected to provide a Tax Clearance Certificate to contract awarding agencies, before the final award of any contract.

559. Mr. Speaker, specific measures to improve operational efficiency of the VAT Service include:-

* GCNET connectivity to provide access to trade import transactions, input tax verification identification, tracking and registration of non-registered importers and their customers; as well as; and

* effective management of receivables

Large Taxpayers Unit

560. As part of measures to further improve tax administration. A Large Taxpayers Unit (LTU) will be launched by mid-June 2003, and will initially cover about 350 tax-paying entities. In support of the LTU and other initiatives, a Taxpayers Identification Number (TIN) Law was passed in 2002, and during 2003 it is intended to build the TIN database and enforce TIN implementation in all revenue agencies.

Department of National Lotteries (DNL)

561. Mr. Speaker, the Lotteries and Betting Act 1960, Act 31 was promulgated in 1960 to give the necessary legal backing to the operation of lotteries in the country with a view to generating additional sources of revenue for government.

562. Soon thereafter, the National Weekly Lotto Act, 1961 was enacted to give the state the monopoly to operate lotto in the country.

563. However, as a result of the Department's logistical constraints coupled with operational difficulties, illegal private lotto houses, emerged to compete and fill in the gap created by the Departments inability to operate nationwide.

564. In 1989, the National Weekly Lotto Amendment Law, PNDCL 223, was passed to end the state monopoly and legitimise private participation in the lotteries business, to generate additional revenue for the district assemblies and bring illegal private lotto operators into the tax net.

565. The revenue expected to be paid to the District Assemblies and the State from the operations of the private lotto operators never materialised. In addition to this, the private lotto operators were involved in massive tax evasion.

566. The contribution of lotteries to total domestic revenue has fallen drastically over time since 1975.

567. Mr. Speaker, the problems associated with lotteries in Ghana have rendered the industry unproductive. This situation must be reversed as a matter of national priority. Consequently it is proposed to repeal PNDCL 233.

568. Mr. Speaker, the repeal of PNDCL 223 will outlaw the activities of private operators. Government is aware of the number of people employed by private lotto operators and wishes to assure the public that the restructured and well resourced DNL will be able to absorb lotto agents formerly employed by private lotto operators. Already numerous applications have been submitted by agents of the private operators because of the impending abolition of the law.

Supervision of the Department of National Lotteries

569. Mr. Speaker, the activities of the DNL have been brought under the direct supervision of the Revenue Agencies Governing Board (RAGB) while steps are being taken to amend the law and restructure the DNL.

Non-Tax Revenue (NTR)

Revenue Enhancement Measures

570. Mr. Speaker, revenue leakages have been reported in the NTR collections of almost all MDAs. In 2003 all MDAs would be required to design and implement specific

programmes to curtail these leakages. The Ministry of Finance will provide specific support to facilitate this endeavour.

571. To ensure compliance with the payment of statutory fees and charges, all MDAs would be required to embark on special collection drives. These activities would be supported by the Non-Tax Revenue Unit within the Ministry of Finance.

572. Accounting for NTR collections has been a problem. To address the issue, NTR accounts have been opened for all Ministries, Departments and Agencies at the Bank of Ghana. Consequently, all MDAs are to ensure that their collections including those from the regions and districts are transferred into these accounts on a regular basis. All banks that receive NTR proceeds from MDAs are requested to cooperate in this exercise.

573. Ghana Immigration Service will introduce a fast track window at extra cost to quicken the processing of passports.

574. The Ghana Police Service will from this year introduce on-the-spot fines for some minor motor offences.

575. Mr. Speaker, to further improve the collection of non-tax revenue, the Ministry of Finance will work with MDAs to explore the possibility of introducing private sector participation in the collection of revenue.

Review of Rates

576. Mr. Speaker, in 2003, some of the rates currently being charged by the following agencies will be reviewed to ensure cost recovery: -

* Ministry of Works and Housing
* Registrar General's Department
* Ministry of Foreign Affairs
* Ghana Immigration Service
* Driver and Vehicle Licensing Authority
* Department of Parks and Gardens
* Department of Factories Inspectorate
* Ministry of Trade and Industry
* Mines Department
* Environmental Protection Agency

577. The necessary proposals will be submitted to parliament in due course.

Retained Non-Tax Revenue/Internally Generated Funds (NTR/IGF)

578. The enabling Acts setting up some organizations allow them to retain all or part of the revenue they generate. This sometimes results in a situation where some organisations keep resources far in excess of their allowable retention.

579. Again, a number of MDAs retain NTR for use on the basis of administrative approval issued to them in the past, while others do so with no form of approval at all.

580. To address the situation we will ensure that NTR/IGF is retained with legislative approval and used with prudence and in accordance with Financial Administration Regulations.

581. Mr. Speaker, to this effect, the Ministry of Finance on the recommendation of the Attorney General and the Minister of Justice has introduced amendments to the Financial Administration Bill which is now before Parliament.

Additional Funding for NTR Generation Effort

582. Mr. Speaker, to support and encourage NTR generation by MDAs, an amount of ¢25.0 billion will be set aside from NTR collections to provide additional assistance to deserving MDAs. The Ministry is finalising guidelines for the disbursement of funds to MDAs under this initiative.

Registrar General's Department

583. Mr. Speaker, the role of the Registrar General's Department in facilitating business registration and commencement and compliance with the Companies Code has, over the years, not been properly exercised. The result is that a sizeable number of companies do not bother to file annual returns, while others ignore the requirement to renew the registration of their business names annually. This, in turn, seriously undermines the Department's revenue generating capacity and its role in facilitating good corporate governance.

584. To properly fulfil its mandate and facilitate the Golden Age of Business, the Registrar General's Department will implement the following measures: -

* improve monitoring and enforcement of the provisions of the Companies Code;
* open offices in all the regional capitals, starting with Kumasi, Takoradi and
* Tamale in 2003;
* complete the modernization and restructuring of its operations;
* complete the construction of its office complex and computerisation programme;
* embark on sensitisation of business community on their obligations under the Companies Code;
* work with IRS to ensure enforcement of the regulation on annual renewal of business names and partnerships and filing of returns; and
* amend the law governing the Registrar Generals Department to allow differential fees for the filing of annual returns based on turnover.

Driver & Vehicle Licensing Authority (DVLA)

585. Mr. Speaker, the Driver & Vehicle Licensing Authority (DVLA) experienced serious operational and management challenges that led to a declining trend in its revenue collection between 1999 and 2001.

586. Operational bottlenecks allowed some staff and vehicle dealers to siphon off revenue, while private people set up parallel structures to duplicate the operations of the Authority and virtually took over a large chunk of the Authority's responsibilities.

587. Although some success has been achieved in reversing this trend, additional measures are being introduced in 2003 to: -

* increase compliance with existing regulations; and
* expand scope of services including introduction of Trade Plates for unregistered vehicles, proficiency tests, registration of driving schools etc.

Forestry Management

Stumpage Fee

588. Mr. Speaker, the Timber Resources Management Act 1997 (Act 547) Section 13 provides for the payment of stumpage fee in respect of timber operations.

589. Similarly, Section 22 of the Timber Resources Management Regulation, 1993 (LI 1649) provides for the quarterly review of stumpage fees. Stumpage fees have, however, not been revised since 1999, despite the fluctuations in foreign exchange rate and the increases in FOB value of timber. As a result proceeds from stumpage fees as a percentage of FOB have fallen by 70 per cent since 1999.

590. On the basis of adjustment to current F.O.B prices and exchange rates, the average weighted stumpage fee for 2003 has been varied from US$10.10 to US$11.10 per cubic metre.

591. In order to implement the adjusted fees without impacting negatively on the timber industry, it is proposed that a 3-step implementation approach, to be completed by 1st June, 2003 be adopted. At each step, the stumpage fee will be adjusted by 33 1/3 per cent until the full economic value is attained.

Competitive Bidding for Grant of Timber Rights

592. Mr. Speaker, in order to make the timber industry pay the economic value of timber resources which hitherto had been undervalued, and introduce transparency and equity in the grant of timber concessions, Parliament has passed an amendment to the Timber Resource Management Regulation (2003) LI 1721. The new amendment introduces competitive bidding as the basis of allocation of timber rights to be conducted serially through two stages, namely, a pre-qualification process and a bidding for timber rights process.

State Owned Enterprises (SOEs)

593. Mr. Speaker, in 2003, Government will: -

* safeguard its interests in both SOEs and Joint Venture Companies by working with its partners, the Ghana Stock Exchange and other relevant stakeholders, to come out with a technical dividend policy based on the returns in the industry to guide the declaration of dividends.

* to further improve corporate governance and in accordance with the Companies Code, all SOEs that have been converted into Limited Liability Companies will henceforth be required to hold Annual General Meetings. Support to Local Industries.

594. Mr. Speaker, Government is immediately taking steps to give practical effect to its commitment to support local industry and business in line with its objective of promoting a Golden Age of Business for the private sector and thereby creating the environment for to attract foreign direct investment. To this end, the following measures will be implemented: -

Removal of Value Added Tax on Computers

595. Currently, computers are exempt from the payment of import duty. As part of the Government's initiative to provide appropriate Information and Communication Technology environment for the development of education and to support the assembling of computers locally, these tax relief measures are proposed: - * removal of VAT on fully assembled computers imported or procured locally by educational institutions recognised by the Ministry of Education;

* removal of import duty on imported components for locally assembled computers. Private Equity Funds.

596. Mr. Speaker, private equity funding for the Small and Medium Enterprises (SMEs) is critical, the capital structure of businesses in Ghana is unevenly skewed towards debt, there is very little scope for companies to respond effectively to growth and economic stimulus programmes due to lack of equity.

597. In order to address these problems, the Government intends to extend the implementation of the National Reconstruction Levy for three years and apply 25 per cent of the proceeds to support venture capital development for selected projects in priority sectors. Micro and Small Enterprise Development

598. Mr. Speaker, to encourage the growth and development of micro and small enterprises, Government will initiate a project to start and support 40 enterprises within the next five years. The selected micro and small enterprises will be given financial and technical support. This enterprise development initiative will be launched in March 2003.

Import Duty on Finished Goods

599. Mr. Speaker, in 2002, import duty on inputs for manufactured items admissible at a zero concessionary duty rate under Part A Chapter 98 of the Harmonised Systems (HS) Code was revised upwards to 5 per cent concessionary duty rate with the exception of a selected number of materials. However, this was to the disadvantage of certain local industries whose raw materials were affected by this upward revision without a corresponding increase in import duty on finished goods. To enhance the competitiveness of local industry, it is proposed to raise the duty from 10 per cent to 15 per cent on imported finished products similar to those affected by the 5 per cent upward adjustment in 2002.

Rice

600. Mr. Speaker, Ghana currently imports about 120,000 metric tonnes of rice annually, accounting for about 58 per cent of total national consumption. The country, however, has the natural resources for the production of rice. Government, therefore, intends is to increase domestic production of rice in order to reduce reliance on imports and thereby conserve foreign exchange. To support and make domestic production more competitive, it is proposed that the duty on rice imports be increased by 5.0 per cent to 25.0 per cent.

Poultry Products

601. The poultry industry is another area in the agricultural sector which requires Government's support to increase local production with the view to enhancing the nutritional requirements of the country. The sub-sector is, however, facing intensive competition from subsidized imports.

602. Given the high level of subsidies and other Government support that poultry industries in other countries from which we import the bulk of our poultry products receive, it is proposed that an additional duty of 20 per cent be charged on imports of finished poultry products into the country.

Rationalisation of Value System for Frozen Meat Products

603. In 2002 measures were put in place to rationalise the values for frozen meat products. To eliminate valuation malpractices and improve the quality of imported frozen meat products, a specific tax based on weight is to be introduced in order to minimize the perennial problem of under invoicing.

Textiles

604. To make local production of textiles more competitive compared to imported products, it is recommended that duty on the inputs for textile production such as

dyestuff, chemicals, grey baft be reduced from 10 per cent to 5 per cent. Tax Relief Measures

Removal of Value Added Tax on Essential Drugs

605. Mr. Speaker, there are diseases for which treatment and control are considered to be of public health importance and, therefore, must be seriously addressed. Drugs for the control of such diseases, therefore, have to be special consideration and given tax exempt status.

606. In selecting drugs for tax exemption, due consideration is given to those drugs that are widely used for treating the ten top causes of morbidity and mortality in Ghana.

607. To this end, it is intended to expand the Imported Special Drugs list as determined by the Minister of Health to cater for drugs for diseases such as malaria, T.B. Guinea Worm, leprosy, HIV Aids, life-saving drugs such as anti-snake serum among other. This measure will remove VAT on additional 66 drugs.

608. Imported special drugs for which same are produced locally will continue to attract VAT.

Elimination of Duties and VAT on Compact Fluorescent Lamps (CFL)

609. Mr. Speaker, the Government notes and appreciates the significant reduction in electricity consumption that could be achieved with the use of Compact Fluorescent Lamps (CFL). More importantly, for the electricity consumer, the use of the lamps will reduce the electricity bills that he pays and consequently lower the burden that the upward adjustment of electricity tariffs will have on household expenditure and minimise energy consumption in the country.

610. In order to promote the widespread use of the lamps and to make their prices affordable, the Government is proposing that Parliament waives duty on imported fluorescent lamps.

Removal of Import Duty on Cash Registers

611. To encourage the use of cash registers by traders to improve the recording and accounting of transactions, it is proposed to remove the duty of 10 per cent on cash registers.

Removal of Import Duty on Buses

612. Mr. Speaker, in support of the mass transportation programme of the NPP Government, it is proposed to remove the import duty of 5 per cent on buses with capacity in excess of 30 passengers.

SECTION EIGHT: INSTITUTIONAL AND STRUCTURAL REFORMS

Public Financial Management

613. Mr. Speaker, in 2002, Government reprioritised reforms in the Public Financial Management System, in order to make the reform process more focused and capable of achieving the intended results within the shortest possible time at minimal cost.

614. This has been developed into a prioritised Medium Term Action Plan (MTAP) to be implemented between 2003-2005.

615. Government also implemented measures to:

* bring the National Accounts up to date;
* improve the accuracy of financial reporting by instituting reconciliation procedures;
* start HIPC/Poverty tracking and reporting system;
* reduce payroll leakages;
* review and reprogramme the plan for BPEMS implementation; and
* Increase capacity building.

616. In 2003, the focus of Public Financial Management System will include the following:

Budget Preparation and Monitoring

617. Mr. Speaker, Further improvement in budget preparation and monitoring will be achieved through:

* review of Medium Term Expenditure Framework process;
* institution of monthly tracking of all expenditures and commitments;
* full disaggregation of the General Government Services item in the budget.

Cash Management/Monitoring

618. Mr. Speaker, cash management and monitoring will be improved through:

* establishment of a Cash Management Unit in Ministry of Finance; and

* carrying out of further restructuring of Government accounts at Bank of Ghana and commercial banks while developing specific guidelines for opening Government accounts.

Poverty Monitoring/Tracking

619. Mr. Speaker, the HIPC/Poverty tracking reporting system will be rolled out to all treasuries nationwide to improve monitoring and tracking.

Payroll Management

620. In 2003 payroll management will be strengthened through the underlisted measures:

* standardisation of payroll processing procedures;
* development of guidelines and manual for processing payrolls at MDAs and CAGD;
* production of regular monitoring reports on payroll certification; and
* completion of implementation of IPPD 2.

Accounting and Reporting Practices

621. There will be further reform of accounting and reporting practices by:

* addressing existing bottlenecks in the accounting system; and

* adequately resourcing the Reconciliation Unit of CAGD to enable it carry out reconciliation of all treasury and Bank of Ghana accounts, as well as all treasury and MDA accounts.

Financial Administration Reforms

622. Mr. Speaker, to complement our efforts to reform financial administration, Government will:

* facilitate the passage of Financial Administration Bill by Parliament;
* enforce sanctions for non-compliance with rules established by Financial Administration Act (FAA); and
* finalise the Financial Administration Regulations (FAR), monitor application and enforce measures in case of non-compliance.

Internal Audit

623. Mr. Speaker, a new oversight body to strengthen the internal audit function shall be established subsequent to this audit committees in all MDAs will be established

Budget And Public Expenditure Management System (BPEMS)

624. Mr. Speaker, several activities were carried out in 2002 towards the implementation of BPEMS. Among these activities are:

* re-engineering of selected financial management processes which are currently being implemented on a pilot basis starting with MoF and Controller and Accountant-General's Department (CAGD);

* re-design of accounting and budgeting forms for use by the remaining MDA sites for subsequent entry into the system at designated sites;
* customisation of the Public Sector Budgeting Module to enable it perform activity based budgeting; and

* completion of an Interim Data Centre to cater for the day-to-day operations of the servers until the Financial Information Centre is completed.

625. Mr. Speaker, from January, this year, the implementation of the BPEMS began with MOF and CAGD. The new chart of accounts and new procedures for accessing funds have also been deployed in all MDAs.

626. Later this year, the following activities will be undertaken in the process of implementing the BPEMS: -

* computer hardware would be deployed to all the 67 Pilot BPEMS Sites including Office of the President and Parliament;
* BPEMS system will be operational at Ministries of Health, Roads & Transport and Education by the end 2003;
* Comprehensive Capacity Building exercise will be carried out for staff of MOF and CAGD by the end of 2003; and
* the Information Systems Strategy document will be finalised and aligned with the National Information Communication and Technology Policy.

627. Mr. Speaker, Government will continue with and strengthen the implementation of the Expenditure Control measures that were introduced last year in order to consolidate the gains made. In addition, Government will improve and facilitate the following:

* commitment control across all MDAs, with the issue of warrants to initiate commitments;
* better tracking of expenditures for items 1-IV;
* improved accounting and reporting of budget outcomes; and
* Control of the use of telephones, mobile phones and other utilities by public officers. Directors of Finance and Administration of all MDAs will monitor and submit returns to Ministry of Finance.

628. To improve control over expenditure commitments while enhancing flexibility at the MDA level, the cash management system underpinned by quarterly expenditure ceilings will be fully implemented. The objective is to reduce public borrowings to the level of actual requirement by MDAs and other statutory bodies, so as to reduce the domestic debt and the related large interest payment.

629. Mr. Speaker, further efforts will be made to tighten up controls on the validation of payroll lists, and implementation of additions, deletions, and changes to payroll rosters in the two main payroll databases.

630. To ensure effective and continuous monitoring of budget implementation, the MOF will submit monthly "fiscal early warning" reports to the Economic Management Team though the Economic Policy Coordinating Committee (EPCC). Cabinet will be briefed on fiscal developments on a quarterly basis.

631. 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 new procurement bill has been approved by Cabinet and submitted to Parliament.

632. Poverty-related expenditures, as defined in the GPRS, will be closely monitored using the poverty expenditure tracking system, which has been made compatible with the BPEMS and will generate monthly reports. MDAs and donors will be asked to improve the reporting of donor-financed expenditures and internally-generated funds, so that the coverage of data on poverty-related spending can be broadened to include these resources.

Public Enterprise Reform

633. Mr. Speaker, the Public Sector Management reform being implemented by the National Institution Reform Programme (NIRP) and the Office of he Head of Civil Service (OHCS) have been refocused on three (3) priority areas consistent with the Ghana Poverty Reduction Strategy (GPRS) and the development agenda of the Government. They are: -

* restructuring of key public institutions to improve efficiency, improve implementation of Government Policy and Service delivery to the public;
* removal of systemic constraints to increase efficiency, effectiveness, discipline and motivation; and
* capacity building towards the professionalisation and depoliticisation of the services.

634. Mr. Speaker, a sector-wide approach to restructuring, which ensures comprehensiveness, institutional cohesion and improved targeting for execution of Government's priority programmes is to be implemented this year.

635. Consequently, the Civil Service Performance Improvement Programme (CSPIP) is being merged with NIRP to enhance coordinating and implementation capacity.

636. Additionally, the design phase of the reorganisation of MDAs will be completed while the re-engineering plan will start this year.

637. As part of the public sector reform, the NIRP has developed a pay policy reform framework for consideration by cabinet.

638. In 2003, work on a comprehensive pay reform strategy including a selective Accelerated Salary Enhancement Scheme in support of the implementation of

Government priority programme in critical sectors including health, education and agriculture will be completed and submitted to Government for further action.

639. The ongoing staff rationalisation exercise within the Police Service will provide additional impetus to creating professionalism in the service and reduce the number of retired persons in executive management positions.

Tema Oil Refinery (TOR)

640. Mr. Speaker, the delay in implementing the automatic adjustment formula for petroleum prices was a setback for the 2002 programme as it further worsened the debt of TOR which was already at an unsustainable level. Government believes that a durable solution is required and has, therefore, adopted the following two broad objectives:

* to enhance the efficiency of the petroleum sector and avert the financial collapse of TOR which could have severe implications for the banking system and the whole economy, the petroleum sector must be restructured in terms of the mechanisms, the institutions and the principles for the pricing of petroleum products; and

* Government will open up the refinery business to private sector participation and competition to supplement the role of TOR.

641. Consequently, Mr. Speaker, the following policy initiatives have been adopted for implementation:

* as a first step, on 17th January, 2003, petroleum prices were raised by about 95 per cent on average to bring them in line with world market levels. To mitigate the impact on the poorer segments of the population (and as envisaged in the pricing formula) the cross subsidization of Kerosene and LPG was maintained;
* government also announced that the National Petroleum Tender Board will henceforth have the mandate and independent responsibility to make periodic adjustments in the maximum allowable ex-refinery price for TOR prices in accordance with the automatic adjustment formula without further approval by the Ministry of Energy. The ex-refinery price that will be determined will take into account “import parity prices” and the principle of full cost recovery.
* a Debt Recovery Levy will be imposed on the use of petroleum products. The proceeds from the levy will be placed in a Sinking Fund and used to repay the accumulated debt of TOR incurred from selling petroleum products below cost in the past. This is urgent in order to reduce the systemic risk posed by the large debt of TOR to the Banking Sector and the economy.

Financial Sector Reform

642. Mr. Speaker, Ghana’s vision in the financial sector is to be that is efficient in the mobilization and allocation of funds, fully integrated with the global financial system supported by a regulatory system that promotes a high degree of confidence. A financial

sector consistent with this vision will be a powerful driver of economic development, achieved through higher levels of employment, savings, investment and tax revenues.

643. Mr. Speaker, to realize this vision six key objectives have been identified to be attained within the medium term. Each objective drives a set of strategic initiatives designed to facilitate the achievement of these objectives. The key objectives are to:

* be the preferred source of finance for domestic companies;
* promote efficient savings mobilization;
* establish Ghana as the financial gateway to the ECOWAS region;
* enhance the competitiveness of Ghana's financial institutions within a regional and global setting;
* ensure stronger and more facilitative regulatory regime; and
* achieve a diversified domestic financial sector within a competitive environment.

644. Significant progress has been made in financial sector reform over the past 12 months. Key elements include:

* the finalization of a new Banking Bill, that reinforces the central bank's powers to conduct effective supervision of the banking system;
* the finalisation of other bills to modernize the legal framework for the payments system;
* the preparation of an Insurance Bill that will strengthen the regulatory framework and level the playing field for insurance companies operating in Ghana; and
* the preparation of an improved corporate investment plan for SSNIT.

645. Mr. Speaker, in the course of 2003, Government will submit for Parliamentary approval the draft bills on Banking, Payments System, Money Laundering, Insolvency (Bankruptcy), Financial Institutions (Non-Banking) and Insurance, as well as the new Companies Code. In addition, Government will initiate the process to move forward the infrastructure and institutional framework for the capital market take off. Long Term Savings Plan

646. A critical problem facing businesses of all types is the lack of long term capital. To alleviate this problem to some extent, Cabinet has approved to support the introduction of long term savings in the course of the year.

Outsourcing of Capital from International Market by Banks

647. Mr. Speaker, it has become necessary to look at the capital base of the banks to establish its adequacy or otherwise to support long-term funding to the private sector.

648. There is the need therefore to facilitate and encourage the banking sector to outsource long term capital needs from the international market to specifically support our local industries and private businesses.

649. The Government in this direction will facilitate the process for banks that initiate such funding arrangements.

Ghana Stock Exchange – Review of 2002

650. Mr. Speaker, the Ghana Stock Exchange recorded one of its best market performances in the year 2002. The year witnessed the historic event of the first ever cross border listing on the Exchange namely, the listing of the Trust Bank Ltd (the Gambia) and the market was bullish throughout the year.

651. The decision of Government to sell part of the CPC shares on the GSE was to enhance trading volumes in order to deepen the liquidity of the Stock Market operations. It was also to support the GSE to play its financial intermediation role in the economy, which would enable it to be used as a barometer for measuring the performance of the private sector.

652. These objectives clearly demonstrate Government vision for an efficient and transparent financial sector which will enable the GSE become the financial hub and preferred destination for private long-term capital so badly needed for the private sector in the sub region.

653. Mr. Speaker, the Exchange will focus much attention this year on the following:

* aggressive pursuit of listings, including the fast track divestiture of some ten identified companies on the Ghana Government Divestiture list;
* to press much harder, the positioning of the Exchange as an attractive investment avenue, particularly, for domestic investors; and
* improvement in the efficiency of the market particularly trading and settlement. The Exchange will, therefore, be assisted to undertake automation of trading, clearing and settlement and the establishment of a national depository. A national depository is needed not only for shares, but also Government securities including the GGILBS and other government instruments.

National Insurance Commission (NIC)

654. Mr. Speaker, in 2002 the NIC undertook a number of activities to strengthen the Insurance Industry and enhance service delivery. These include:

* drafting of a new Insurance Bill which accords with International standards; and
* launching of the new Motor policy with more customer friendly policy wordings.

655. In 2003, the NIC will work to install greater discipline in Insurance Organisations and improve public confidence in the Insurance Industry. Activities planned for the year include:

* increase public awareness of the existence and role of the NIC;

* open complaints units in the regions to make service more accessible to the public;
* promote manpower development in the insurance industry;
* encourage good corporate governance practices in insurance companies; and
* complete work on the new insurance regulations.

Good Governance and Statistical Transparency

656. Mr. Speaker, the NPP Government came into office with a pledge of zero-tolerance for all acts of corruption and, in 2003, will strive to continue to improve good governance in Ghana. Envisaged policies consistent with the GPRS include:

* an increase in the operational efficiency of the Auditor General's office, and assurance of full staffing of internal audit positions;
* implementation of the Anti-Corruption Action Plan, including through the passage of a Freedom of Information Act and whistle-blower legislation;
* the definition of clear roles and responsibilities for the Office of Accountability, the Commissioner for Human Rights and Administrative Justice, and the Serious Fraud Office; and

* the provision of regular government reports to Parliament on the implementation of the GPRS, and a strengthening of Parliament's capacity to exercise oversight functions.

657. The Bank of Ghana has conducted an external audit of its 2001 financial statements, and plans to conduct a similar audit for 2002 in conformity with International Accounting Standards.

658. The NPP Government is committed to the production of more timely and accurate statistics, in support of transparency and allow a better assessment of developments in the economy. To this end, work is underway to review the calculation of the Consumer Price Index (CPI) from 1999 onwards and, related to it, the series on nominal GDP.

National Identification System (NIS)

659. A National Identification System (NIS) will be introduced in the country in year 2003.

660. The objectives of the NIS are to:

* capture, maintain and update personal details of all citizens of Ghana and other legally resident foreigners on a national register or central database; and
* enhance service delivery to people through effective and efficient targeting and communication.

661. Among many others, the benefits of introducing NIS include:

* enhanced public administration and mobilisation of revenue;

* facilitation of the delivery of essential services such as health and education to the people;
* efficient administration of the proposed National Heath Insurance Scheme; and
* compilation of a reliable electoral register for free and fair elections to enhance democratic processes.

Cocoa Industry

662. Mr. Speaker, to sustain the continued improvement of the cocoa industry, the NPP Government has pursued a consistent policy of increased farmer income, improved agronomic practices, diseases and pests control and increased value addition. Specific initiatives undertaken towards the implementation of this policy to achieve the desired objectives include the following: -

663. In 2002, the Government continued for the second year running, the Cocoa Diseases and Pests Control Programme, which involves the control of black pod and capsid diseases. The exercise covered about 80 per cent of the total land area under cocoa cultivation and created 24,000 jobs for unemployed youths in the local communities of the traditional cocoa growing areas in Ashanti, Brong Ahafo, Central, Eastern, Volta and Western Regions.

664. Mr. Speaker, initial indications from cocoa purchases returns, give a positive outlook for the 2002/2003 season with clear signs of improved yields for our cocoa farmers attributed to the diseases and pests control initiative. A number of farmers have been encouraged by this exercise to revive abandoned farms.

665. In recognition of this, Government has earmarked ¢242.0 billion to continue with the diseases and pests control programme in 2003 to cover 1.6 million hectares of cocoa farms.

666. The exercise is expected to start from May and end in October, 2003 and will employ almost 41,000 youths from the local communities of cocoa growing areas.

Improved Method of Cocoa Production

667. Mr. Speaker, over the years, the Cocoa Research Institute of Ghana (CRIG) has been carrying out research and field trials to improve yields on cocoa farms. Results of these trials have been very encouraging. From the current average yield levels, application of this improved method of cocoa cultivation has been found to increase yields by as much as ten times from 3-4 bags per hectare to 30-40 bags per hectare at peak production.

668. Mr. Speaker, to increase volumes through improved yields, Government will initiate a project on a pilot basis in selected districts to apply this method of improved farming. Under the pilot project, financial and technical assistance will be given to farmers to rehabilitate and replant their farms with high yielding hybrid varieties, planting materials and fertilisers. The diseases and pest control exercise will be an integral part of the

project. Under the supervision of the Cocoa Research Institute of Ghana, the pilot project will cover an area of 40,000 hectares of cocoa farms and will involve 50,000 cocoa farmers selected throughout the cocoa growing districts. An initial amount of approximately ¢57.3 billion has been set aside to facilitate this project.

669. Further to this, as part of the measures to improve the cocoa industry, Government has set up a committee to review the provision of extension services to cocoa farmers to determine the most efficient and cost effective delivery system.

Cocoa Processing

670. Mr. Speaker, Government will continue to support private sector participation in the domestic cocoa processing of cocoa beans. This will help to achieve its objective of raising the volume of cocoa beans processed locally. Government has already stated its policy to raise domestic cocoa processing from the current 20.0 per cent to 40.0 per cent of national output in the medium term. This measure is intended to ensure that Ghana reaps maximum benefit from cocoa through value addition to the beans processed.

671. In response to this, a number of companies have declared their intention to set up companies to process cocoa beans. It is expected that a new cocoa processing company will begin operations this year bringing the number of processors to four.

672. Mr. Speaker, increased domestic processing will be profitable if there is more emphasis on downstream secondary and tertiary processing where value added is between 30 per cent to 114.0 per cent compared with 21.6 per cent to 46.3 per cent for primary processing. Government, therefore, intends to pursue a policy of encouraging investment in this area.

Cocoa Board Scholarship Fund

673. In the year 2002, Government increased the Cocoa Board Scholarship Fund by ¢5.0 billion to make more scholarship awards available to cocoa farmers' wards. This year Government has increased the support to the Scholarship Fund by ¢10.0 billion.

Increase In The Producer Price Of Cocoa

674. Mr. Speaker, Government remains committed to increasing the farmers' share of the f.o.b. price of cocoa to reach the target of 70 per cent by the year 2004/2005 season. At the beginning of the 2002/2003 season, Government increased the producer price by 37 per cent from ¢6.2 million to ¢8.5 million per tonne which, together with the payment of bonuses, will represent 68.11 per cent of the achieved f.o.b. price per tonne.

Sustainability Of Producer Prices

675. Mr. Speaker, in raising the producer price of cocoa, Government was mindful of the unstable developments in the market which has forced the world prices of cocoa to soar to levels analysts describe as not sustainable due to the market perception of uncertainty.

676. The current high level of prices on the world market has been influenced by developments in the sub-region and, therefore, the price of cocoa is reflecting uncertainty and anxiety. Thus, any projected producer prices should take into account this temporary situation in the sub-region. Government will pursue a pricing policy which would guarantee and protect farmers' incomes through sustainable prices. Rewards to farmers in line with unusual upward movement in prices would thus take the form of bonus payments while maintaining steady improvements in producer prices based on market fundamentals. To this end, a Special Equalising Account for bonus payments has been opened.

Payment of Bonus

677. Mr. Speaker, Government authorised the payment of a pre-season bonus of over ¢41.0 billion to cocoa farmers in October 2002, in appreciation of the dedication and commitment shown by cocoa farmers during the 2001/2002 season at the rate of ¢8,000.00 per bag. It is relevant to mention that prices on the world market have strengthened and Government has been watching and reviewing, on a constant basis, the variables in the determination of producer prices. As promised, Government would pass on any benefits realised from price appreciation to farmers.

678. To this end, Government wishes to announce that an interim bonus of ¢16,000 per bag or ¢256,000 per metric tonne is to be paid to farmers for purchases as at 31st December, 2002. The total amount to be paid is ¢80.0 billion.

Contribution to Road Fund

679. In the year 2002, the cocoa industry contributed ¢8.9 billion to improve feeder roads in the cocoa growing areas. This year, an amount of ¢15.0 billion has been allocated for the improvement of feeder roads in these areas.

External Marketing of Cocoa

680. Mr. Speaker, a review of the policy on the partial liberalisation of external marketing of cocoa is to be carried out. It is aimed at assessment of maximum revenue to be derived from cocoa exports, the macroeconomic impact of the sales and funding arrangements and the benefits to the farmer within the context of partial liberalisation.

Issue of Cocoa Bills

681. Mr. Speaker, Ghana Cocoa Board has, over the years, successfully raised pre-export financing from the international syndicated loans market and has, as a result, managed to generate significant interest from lenders. Last year, Government encouraged the Board

to also explore the opportunities of raising part of its funding requirements from the local financial markets. Towards this objective, at the beginning of the 2002/2003 season in October, Bank of Ghana issued 182 – Day Cocoa Bills on behalf of Ghana Cocoa Board for cocoa purchases. The total amount realised at the end of December 2002, was ¢353.5 billion. Given the interest raised and to help diversify its investor base as well as support the Ghanaian financial sector, Ghana Cocoa Board will continue to raise funds from the local market to support its purchasing operations. The Multi Donor Budgetary Support

682. Mr. Speaker, for Ghana, aid inflows have long been an important external resource, providing significant support for our development expenditures. However, aid inflows have dwindled and have also become less predictable since the 1990s. We have realized that Ghana is not short of donor goodwill and pledges of assistance to help our development efforts. Rather, Ghana faces a peculiar problem: much of the support sits in different boxes and we are often unable to meet the different donor requirements and conditionalities that will trigger disbursement.

683. Delays and shortfalls in donor inflows have often forced government to cut back on development expenditures. Sometimes, the shortfalls in budgetary aid have resulted in unprogrammed domestic financing (which adds to the build-up of the domestic debt) and recourse to non-concessional external borrowing. This obviously imposes additional burden on future budgeting.

684. Mr. Speaker, the Government of Ghana (GOG) and her Development Partners (DPs) introduced the Multi-Donor Budgetary Support (MDBS) initiative in 2002 as general budget support. Under this arrangement, development partners will disburse funds directly into the Consolidated Fund to support government's implementation of the GPRS through the budget. This year the release of funds will be based on ongoing assessment of national public accounts and performance on agreed macro-economic and social indicators identified and jointly agreed upon by GOG and DPs, using the GPRS as the key reference source.

685. The MDBS mechanism, Mr. Speaker, will represent a major improvement in GOG-DPs relationships as far as aid policy and coordination are concerned. Among other things, it will:

* simplify disbursement procedures and practices;
* improve the predictability of the size of the resource envelope;
* obviate the need for matching funds; and
* improve on the timing of disbursement.

686. All these will have direct impact on the preparation of the budget and on the implementation of the programmes and projects as indicated in the GPRS. The multi donor group currently comprises the World Bank, African Development Bank, European Union, United Kingdom, Canada, Netherlands, and United States. Other key development partners want to assess the efficiency and effectiveness of the approach before deciding whether or not to join.

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2003 BUDGET STATEMENT (Part Five)

The Hon.Minister of Finance, Mr. Yaw Osafo-Maafo has presented the 2003 Budget Statement to Parliament(full text).

SECTION NINE: CONCLUSION

687. Mr. Speaker, in the year 2001, the budget aimed at stabilizing the economy by bringing down inflation, killing the inflation psychology, minimizing the risk of foreign exchange losses and the various economic uncertainties that are detrimental to our individual planning and private sector growth.

688. In 2002 we began our transition from stabilization to growth and poverty reduction. We met several challenges, but we made notable progress on many fronts.

689. This year, we are continuing the stabilization effort and also accelerating our pursuit of growth and poverty reduction and towards the HIPC completion point.

690. Mr. Speaker, in line with our medium-term objectives, the outlook is to:

* improve the standard of living of ordinary Ghanaians by achieving real growth by at least 4.9 per cent.
* reduce inflation from 15.0 per cent at end 2002, to below 10.0 per cent by end 2003 and therefore increase the purchasing power of all Ghanaians.
* increase poverty spending financed in part through debt relief under the HIPC initiative. build our gross external reserves to 3 months of imports of goods and services as a cushion against short-term external shocks, strengthen the external value of the cedi, and minimize our external debt burden.

691. Mr. Speaker, let me repeat what I said earlier. The outlook for reduction in poverty has never been brighter. The NPP Government believes in sound public investment and our use of HIPC funds clearly demonstrates this belief. Our investments in rural water, sanitation, basic health and basic schooling all play very important roles in building individual capabilities, and in enhancing growth from the village level to the national level. The increase in expenditures on basic social services and income generation activities for the poor and vulnerable of the society by nearly 42.0 per cent is clear testimony to our commitment.

692. Mr. Speaker, Ghanaians can rest assured that perhaps, more clearly than ever before in our history, the NPP Government is determined to use the national budget as the primary instrument to serve the public purpose. The budget will be used as the tool to reach the GPRS objectives. It will be the instrument to show the flexibility of

Government to changing needs and the Government's responsiveness to special needs of the different communities and the different sectors of the economy.

693. Mr. Speaker, the budget statement contains several details of the specific programmes and activities. Here are some examples:

* the development and rehabilitation of major highways and improvements of roads to major markets as well as upgrading feeder roads which have already started in response to the pressing need to open up the country for long-term development, to facilitate trade, and to improve road safety;

* the effort to increase access to safe water and sanitary facilities, especially in the rural areas and in the northern parts of the country is a response to the fact that the high incidence of diarrhoea and guinea worms are largely the result of lack of access to safe drinking water;

* Mr. Speaker, the redistribution of health workers in favour of the deprived areas of the country, the phasing out of the Cash and Carry system, the introduction of the National Health Insurance Scheme and the provision of outreach services in the deprived areas are all intended to bridge equity gaps in access to quality health.

* the rehabilitation and development of 2000 six-unit classrooms blocks at the basic level in deprived areas, the construction of 505 KVIPs for basic schools, the total of 24 rehabilitated and 66 construction projects for Senior Secondary Schools in rural areas, providing material support for needy girls as a strategy to increase girls enrollment and promoting retention of girls and providing desks and chairs for every child are major steps towards achieving our education sector priorities.

* the education of 500 nutritionists in 50 Second Cycle schools, the education of 500 communities in Safe Motherhood practices, the sensitization of 500 communities on gender issues and the rehabilitation of 500 street children are good beginnings to address issues that are unique to women.

* Mr. Speaker, the extension of power to additional 2000 communities in the next three years, and the provision of streetlights in all regional capitals is in response to both rural needs and improvements in public safety and security in urban areas.

* the effort to bring in 250 more high occupancy mass transport buses to add to the fleet in 2003 is a response to the public's transportation needs.

* the roll out of additional 400,000 telephone lines in the next three years is in response to the need to accelerate the rapid socio-economic development of the country. This will pave the way to make ICT facilities accessible to the rural communities.

694. Besides, the President's Special Initiative will also be stepped up during the year to increase job creation as a matter of urgency.

695. Mr. Speaker, we are mindful of the challenges arising from the global economic slowdown, from the war clouds looming over Iraq, and from our sub-regional conflicts and instabilities. These are reasons enough to strengthen our domestic economy, including maintaining industrial harmony, a stable fiscal and monetary regime, and spur private sector growth.

696. Mr. Speaker, this is the Budget Statement and Economic Policy for the year 2003. Its basic thrust as the President signalled in his State of the Nation address is to spearhead the drive towards growth, the diversification and deepening of the economy, poverty alleviation, social equity and prudent economic management. The realization of these noble objectives demands the best of us in our actions in both the public and private sectors.

697. Mr. Speaker, the successful implementation of the policies outlined in this year's budget is crucial to our aspiration to exit from the HIPC status - through reaching the Completion Point.

698. The role of this august House in helping to achieve this objective cannot be underestimated. I have enjoyed the support of this august House in previous years for which I am profoundly grateful. I am very hopeful that I shall continue to receive the same support and quick passage of the Budget Statement and Economic Policy for the year 2003.

699. Amid the risks of an uncertain and often unstable global economy, we are determined to maintain our disciplined approach: determined not to make the old mistakes of paying ourselves too much today, at the cost of higher inflation, interest rates and fewer jobs tomorrow, determined not to make the old mistake of putting consumption before investment, the short term before the long term. We are determined to free the economy for sustained growth. Ghana deserves no less and this Budget puts the country firmly on the path to prosperity.

700. Mr. Speaker, in conclusion, let us remember the charge which our illustrious musician, the late Dr. Ephraim Amu left to Ghanaians.

Yan ara asase ni. Aye aboɔden de ma yen, Mogya na nananom hwiegui nye de too hɔ maa yen. Adu me ne wo nso so, se yebeye bi atoa so…

701. Let us individually and collectively build Ghana that we shall be proud to leave to our children and generations unborn.

702. With God on our side. We shall succeed.

703. Mr. Speaker, I beg to move.

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