

SECTION ONE: INTRODUCTION

1. Mr. Speaker, I deem it both an honour and a privilege to present to this august House the 2008 Budget Statement and Economic Policy on behalf of His Excellency President John Agyekum Kufuor.
2. Mr. Speaker, the past seven years have witnessed sustained growth in the economy and positive changes in the lives of the people of Ghana. Government has achieved this by continuing to maintain the broad policy orientation of reducing the country's level of poverty whilst providing the appropriate environment for private business to grow and thrive.

Trend of Economic Performance

3. Mr. Speaker, all sectors of the economy have achieved varying degrees of success and the combined effect of this effort has culminated in a strong and thriving economy which has been able to withstand numerous domestic and external pressures. An analysis of the key economic indicators points to a stable, resilient and growing economy.
4. Mr. Speaker, this positive state of affairs can be attributed to government's strict adherence to a number of measures, including strong fiscal discipline, prudent monetary stance and the implementation of well focused policies even during the previous election year. Admittedly, some of these policies have not been politically favourable but we have been resolute in our conviction that we should not trade a better economy and improved livelihood for political gains.

Medium Term Strategy

5. Mr. Speaker, the Medium Term Strategy as spelt out in the Growth and Poverty Reduction Strategy (GPRS II) is to achieve middle income country status by 2015. Within this framework, government has harnessed efforts in all sectors towards accelerated growth and reducing poverty. In this, the focus has been wealth creation through developing our human resources, promoting the private sector and ensuring good governance.

Performance in 2007

6. Mr. Speaker, economic performance as measured by growth in the real GDP stood at 6.3 per cent, slightly lower than the projected 6.5 per cent. This was achieved despite the major energy challenge that the country

faced. The growth recorded further attests to the resilience of the economy.

Resolution of the Energy Crisis

7. Mr. Speaker, in an effort to address the energy crisis, a number of short, medium and long-term interventions targeted at resolving the problem permanently were pursued. Significant among them is the successful negotiation of the \$622.0 million loan for the construction of the Bui dam and Bui City. Mr. Speaker, we are glad to mention that this investment is the second largest single investment in the history of the country after the Akosombo Dam.
8. Mr. Speaker, as part of measures to reverse the energy crisis and to improve upon the generation, transmission and distribution of electricity, significant expenditures have been made since 2006 and by end-2008, government's total budgetary expenses would have exceeded US\$2 billion. This includes purchase of crude oil and generation and transmission equipment. Crude oil alone would have received an allocation of about US\$1 billion for the same period. Given the desire of all Ghanaians for an enduring solution to the power crisis, we believe that we are all ready and willing to pay realistic rates to ensure a much more efficient and reliable energy supply.

Re-Denomination of the Cedi

9. Mr. Speaker, the Bank of Ghana on July 1, 2007 re-denominated the cedi by setting ten thousand cedis to one Ghana Cedi, equivalent to one hundred Ghana Pesewas (i.e. ₵10,000=Gh₵1=100Gp). The reason for adopting this policy decision was to help remove the significant dead weight burden that the old cedi regime placed on the economy. This measure, taken in the context of strong economic fundamentals and macroeconomic stability, has already resulted in significant efficiency gains which are expected to enhance the way we do business.

Entry into Capital Market

10. Mr. Speaker, the successful entry of Ghana into the Eurobond market is another unparalleled achievement this year. The oversubscription of the bond, together with the quality and internationality of the investors is, for us, a clear indication of the confidence that the international community reposes in the Ghanaian economy and the evidence that our political direction is on the right track.

Celebration of Ghana@50

11. Mr. Speaker, the country celebrated its fiftieth anniversary and successfully hosted the AU Summit and the AGOA conference in June and August respectively. The AU Summit in particular witnessed the highest turnout of Presidents and Heads of Government in recent times.

The New Educational Reforms

12. Mr. Speaker, the new educational reforms, which seek to improve upon our educational system in response to the needs and expectations of both individuals and industry, was launched in 2007. A comprehensive package of reforms has been introduced with the main components including teacher upgrading and deployment, attainment of gender parity, the active promotion of science, technology and research; and mainstreaming of pre-schools into the basic education system.

Decentralisation

13. Mr. Speaker, as a demonstration of government's commitment to decentralisation, the District Assemblies' Common Fund which had been pegged at 5 per cent of tax revenue since 1993 has been increased to 7.5 per cent. In addition to this, 25 more districts have been created to facilitate better governance and accelerate socio-economic development at the district level. A draft comprehensive policy on decentralisation has been developed, together with an intergovernmental fiscal framework to guide the fiscal relations between central government and the sub-national governments.

Fair Wages and Salaries Commission

14. Mr. Speaker, in fulfilment of government's commitment to rationalize public sector wages, the Fair Wages and Salaries Commission Act, (Act 737) has been enacted. The Fair Wages and Salaries Commission, which is legally mandated to administer a new comprehensive pay structure and ensure equity in the government payroll, has been constituted.
15. Mr. Speaker, to pave the way for the successful implementation of the Commission's work, government had earlier removed distortions and corrected placements on the Ghana Universal Salary Structure (GUSS). The reform process is on-going; the obvious challenge is to manage labour expectations particularly in an election year. To this end, the necessary consultations will be undertaken with and among stakeholders, with a view to comprehensively and successfully dealing with the issue of wage reform once and for all.

Oil Discovery

16. Mr. Speaker, with the country poised for accelerated growth, a massive infusion of capital is required to undertake the necessary infrastructure to facilitate such growth. The discovery of oil in commercial quantities could therefore not have come at a more opportune time.
17. Mr. Speaker, in order to ensure that the oil resources are utilised in a judicious manner aimed at deriving the maximum benefit for the country, measures are being taken to put in place the appropriate legal and regulatory frameworks, as well as fiscal rules; and to ensure the training of our human resources in various disciplines to manage this God given resource. A technical team has also been constituted to undertake the necessary analysis of the impact of the oil discovery on the economy in the long term.

National Youth Employment

18. Mr Speaker, the overall objective of the programme is to empower the youth to enable them contribute more productively towards the socio-economic and sustainable development of the nation. This is in line with government's commitment to provide jobs for the youth as articulated in the GPRS II.
19. Mr. Speaker, 7 out of the 10 employment modules have been rolled out and are being implemented across the length and breadth of the country. A total of **107,114** youth have been engaged on the seven modules as at August 2007.

Poverty Trends

20. Mr Speaker, in April 2007, the Ghana Statistical Service published a book on the pattern and trends of poverty in Ghana from 1991 – 2006, which utilized data from the fifth round of the Ghana Living Standards Survey (GLSS 5). From the data provided, it is evident that poverty has reduced significantly and Ghanaians are obviously better off today than they were seven years ago. The indicators show a downward trend in poverty from 39.5 per cent in 1998/1999 to 28.5 per cent in 2005/2006.
21. Mr. Speaker, we want to reiterate that this achievement did not just happen; it was made possible through the deliberate implementation of coherent and comprehensive policies and reflects the effect of increased government expenditure on poverty-reduction activities.

22. Mr. Speaker, an analysis of poverty expenditures reveals that poverty-related expenditures increased from GH¢233.9 million in 2002 to GH¢1,237.4 million in 2006, representing 21.67 per cent and 34.86 per cent respectively of total government expenditure.

Natural Disaster Management

23. Mr. Speaker, in August and early September of this year, unprecedented heavy rainfall led to severe flooding in Ghana, wreaking havoc in areas that were already socio-economically disadvantaged. Government is mindful of the suffering experienced by those so affected and has initiated actions to address the existing vulnerabilities in parallel with life-saving interventions.

Budget 2008

Policy Orientation and Fiscal Strategy

24. Mr Speaker, recognising the challenges we face in the coming election year, the primary policy focus of the 2008 budget will be to sustain the stable economic environment that we have created over the past seven years through accelerated growth supported by infrastructural development. We are resolved to maintain the strong fiscal discipline that we have exercised to attain the vibrant and resilient macro-economic environment that we currently have.
25. Mr. Speaker, the prospects for economic growth are bright, especially with the anticipated massive injection of capital for infrastructure development in the energy, road and rail sectors. We hope that this will enhance the opportunity for industry to expand and generate employment and ultimately improve the living standards of our people.

Macro Framework and Budget Priorities

26. Mr Speaker, the macroeconomic framework for the year 2008 projects a GDP growth rate of 7.0 per cent and an annual inflation rate of 6 – 8 per cent.
27. Mr Speaker, in line with GPRS II government's priorities for the 2008 budget will focus on facilitating growth and reducing poverty through major infrastructural development.
28. In that regard, Mr. Speaker, the 2008 budgetary allocations reflect and reinforce government's commitment to this objective. Human resource development continues to receive a significant percentage of the resource envelope.
29. Mr. Speaker, out of a total projected discretionary expenditure of GH¢4,294.5 million for MDAs comprising GOG, donor, IGF, HIPC, and MDRI

resources, the human resource development, private sector competitiveness and good governance and civic responsibility thematic areas were allocated 38.3 per cent, 33.1 per cent and 21.9 per cent respectively.

Major policies and programmes

30. Mr. Speaker, in 2008 government will accelerate the pace of infrastructural development. The funds generated from the bond market will be utilised for this major investment drive. The key projects will be the dualisation of the Accra - Kumasi road and the rehabilitation of the Takoradi, Kumasi and Tamale regional airports. Outstanding projects in the energy sector will be completed.

Cocoa

31. Mr. Speaker, in the 2008 financial year, cocoa is expected to contribute to increased export earnings. Cocoa output is expected to perform above 600,000 metric tonnes for the 2007/2008 crop season. It is interesting to note that since 2003/2004 when cocoa posted a remarkable output of about 736,000.0 metric tonnes, output has not fallen below 600,000.0 metric tonnes, implying that such record outputs are sustainable.
32. Mr Speaker, the Ghana Cocoa Board has been able to raise an offshore syndicated loan facility of US\$ 900.0 million, the biggest in the history of the cocoa industry. This will amply cover cocoa purchases for the 2007/2008 crop season, estimated to be about 650,000.0 metric tonnes. Government together with COCOBOD has also secured a US\$190.0 million medium term loan facility for infrastructural development and cocoa development initiatives. This is an indication of the trust the international community reposes in the economy.

Ghana (CAN) 2008

33. Mr. Speaker, in January the country will host the African Cup of Nations and government is determined to deliver an excellent programme. In that regard, considerable efforts have been made towards the realisation of this agenda. Three out of the four stadia have already been completed; the remaining one is expected to be completed by the end of this month. The necessary infrastructure and logistics have also been provided to ensure a successful tournament.
34. Mr. Speaker, it is our expectation that the tournament will have a positive impact on our economy, given the large number of visitors expected in the country for this event. We therefore anticipate a high degree of vibrancy in the tourism industry, not only with the hosting of Ghana 2008, but also with the hosting of the UNCTAD Conference in mid-October.

35. Consequently, Mr. Speaker, we hope to provide the sector with the needed support, in order to maximise the benefits that will accrue to the industry in particular and the country as a whole. We trust that the entire nation will rally around this event, to evoke a truly African spirit consistent with Ghanaian hospitality.
36. Mr. Speaker, you will be pleased to note that, based on assurances received from our technical people in respect of the capabilities of the Black Stars, we are confident that we will win the African Cup of Nations this year.

Health

37. Mr. Speaker, in 2008 a total of GH¢512.8 million will be allocated to the health sector. This includes both the GOG and the expected HIPC resources. The target areas in health will include major challenging areas like infant and child mortality.
38. Mr. Speaker, there has been a shift in the policy orientation of the health sector. Stronger emphasis is being placed on preventive rather than curative health. Another area of focus will be regenerative health through adjustments and changes in the lifestyles of Ghanaians.

Educational Reforms

39. Mr Speaker, activities in the educational sector towards the implementation of the new educational reforms will be scaled up. The model schools programme will be completed and teacher training facilities will be expanded.

Oil Management

40. Mr. Speaker, the discovery of oil has generated a lot of excitement and expectations both within and outside the country and for good reasons too. We believe that the prospects for any country as regards the discovery of oil in commercial quantities are mixed. We want to believe that the oil that has been discovered off the shores of Ghana will be for our good and not for evil, to provide us with the kind of future that we expect for ourselves and for the generations to come.
41. Towards this end, Mr. Speaker, we are preparing for the establishment of the appropriate regulatory and institutional framework to ensure that we maximise the expected outputs from this resource.

Presidential and Parliamentary Elections

42. Mr. Speaker, the country will be organising its fifth presidential and parliamentary elections in 2008. In connection with that, government has made a budgetary allocation of GH¢36.8 million. Government is cognisant

of the challenges of an election year, like budgetary overruns. We are determined to exercise the necessary fiscal discipline and prudence as we did in 2004 to ensure that we do not derail our hard work and accomplishments of the past seven years.

43. Mr Speaker, the government has introduced a number of policy initiatives over the past seven years. In 2008, while a few new interventions will be introduced, focus will be on completing most of the ongoing and existing policies and projects as much as possible, so that we can derive the benefits that we expect from them.

