

**PRESS CONFERENCE
WITH HON. MINISTER OF STATE, MINISTRY OF
FINANCE AND ECONOMIC PLANNING**

24TH JUNE, 2008

**Implementation of Measures to Reduce Economic
Hardships**

It will be recalled that on May 22, 2008 H. E. President John Agyekum Kufuor announced measures to enable Ghanaians cope with the rising cost of living resulting from the rising prices of petroleum products and food.

H. E. the President indicated that a taskforce had been constituted to study the situation on a continual basis so as to recommend such actions as would be necessary from time to time, until stabilization and normalcy are achieved.

Among others, the following measures were announced for immediate implementation:

- The removal of import duties on rice, wheat, yellow corn and vegetable oil;
- The removal of excise duty and debt recovery levy on premix oil;
- A reduction in the excise duty and debt recovery levy on gas oil, kerosene and M. G. Local (Marine Gas Oil);
- Increase in government support for the production cost of electricity to bring relief to domestic consumers;
- Subsidization of the cost of fertilizer and ensure effective distribution to farmers to assure a good harvest.
- Importation and stock-piling of additional supplies of rice and wheat to enhance food security.
- Increased supply of tractors at subsidized rates to farmers.

The immediate and direct cost of the removal of taxes and duties are as follows:

Direct Revenue loss resulting from the removal of tariffs

Total revenue loss GH¢92.47 million

Broken down as follows

Item GH¢million

FOOD IMPORTS

Rice 33.72

Wheat 5.38

Yellow Corn 0.04

Vegetable oil 3.93

Sub-total 43.07

PETROLEUM PRODUCTS

Excise Duty 23.9

Debt Recovery Levy 25.5

Sub-total 49.4

The subsidies for the supply of fertilizer is also expected to cost about GH¢11 million

In addition, there are other subsidies that are included in the relief measures that may not be quantified immediately (subsidies for tractors)

Social Programmes

The costs of some of the policies designed to protect the vulnerable of society are as follows:

School Feeding

- The number of beneficiaries is **477,714**
- The Expected Expenditure for feeding alone for 2008 is **GH¢374,868;**
- The Budgeted Expenditure for 2008 is **GH¢436,163.05**
 - Under this, GOG is to provide **GH¢319,226.94**
 - The Government of Netherlands is to provide **GH¢116,686.11**
- The Unit Cost per pupil per day is **30 GH pesewas** (to be increased)

Capitation Grant

- The Expected Expenditure for the year 2008 is **GH¢17,879,151.3.**
- The Unit Cost per boy is **GH¢25** and **GH¢35** per girl.

National Youth Employment Programme (NYEP)

- The Expected Expenditure for the year 2008 is **GH¢77,965,911.2**
- For NYEP actual youth registered is **574,921** but those actually employed are **108,399**

National Health Insurance Scheme (NHIS)

- Total membership is **11,279,678** as at end 2007, which represents **55%** of the population.
- Total Active Membership is **9,773,100** as at the end of 2007, which represents 48% of the population
- Total number of ID Card bearers is **8,203,855** as the end of 2007, which represents 42% of the population
- The Amount Budgeted for the year 2008 is **GH¢235.43** million

The Micro-Finance and Small Loan Scheme (MASLOC)

- Total number of beneficiaries is estimated at 83,509
- The total amount spent thus far, is about **GH¢50 million**.

Energy and Pricing Issues

As indicated in H. E. the President's broadcast to the nation, the nation's crude oil import bill has risen from US\$500 million in 2005 to US\$2.1 billion as at the end of 2007, and is moving to US\$2.5 billion for the same quantity of oil.

As we all know, this is the result of the escalating crude oil prices at the world market, a phenomenon, which threatens to throw the budget out of gear, reducing the country's foreign exchange reserves, and inflaming inflationary pressures.

A combination of measures is being pursued to ensure that these developments are mitigated.

As part of measures to help resource the VRA and ECG, the PURC, on June 16, 2008, at the request of the VRA and ECG, announced some adjustments in electricity Special Load Tariffs – High Voltage (SLT-HV) customers, comprising high voltage consumers of electricity, such as the mining companies and steel mills.

Consequently, with effect from July 1, 2008, this category of consumers will pay a Bulk Generation Tariff of 16.91 Ghana pesewas per kWh, which will translate into an End-User Tariff of 22.31 Ghana pesewas per kWh.

For the time being, other category of consumers will remain at their current tariff levels, and are urged to conserve energy appropriately.

In addition to the increase in tariffs for the high voltage users, the use of the hydro component for generation will be increased, while the emergency power plants will be shut down. In addition, some free flow of gas from the West Africa Gas Pipeline has started, and the supply is expected to be accelerated.

These measures are expected to result in a significant reduction in crude oil imports and lead to enough savings to help the fiscal position and conserve foreign exchange.

VALCO

On June 19, 2008, Government bought over the final 10% shares of VALCO at US\$2 million, from ALCOA to become the sole shareholder of VALCO. Part of the shares will be offloaded to other partners in due course.

IMPACT of Measures

The measures will have significant impact on the budget.

Since the 2006 Supplementary Budget, divestiture targets have not been achieved as programmed. Currently, there is some surety that the targets in the 2008 Budget will be achieved.

Work is almost complete to substantially enhance divestiture receipts to close the gap that will be created by the relief measures announced by H.E. the President.

The enhancement in divestiture receipts will improve the fiscal position of the budget and shore up foreign exchange reserves, reducing the pressure on the Ghana cedi.

In addition, administrative measures for revenue mobilization are being improved to ensure that the revenue agencies collect as much revenue as possible.

Expenditure is being rationalized to ensure that non-developmental capital expenditure (item 4) is reduced as much as possible.