



REPUBLIC OF GHANA

REVIEW OF ECONOMIC PERFORMANCE

BASED ON THE

BUDGET STATEMENT AND ECONOMIC POLICY

AND

A SUPPLEMENTARY ESTIMATE

of the

GOVERNMENT OF GHANA

for the

2006 FINANCIAL YEAR

presented to

PARLIAMENT

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by

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MINISTER OF FINANCE AND ECONOMIC PLANNING

on the authority of

**His Excellency John Agyekum Kufuor
PRESIDENT OF THE REPUBLIC OF GHANA**

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ACRONYMS AND ABBREVIATIONS

AFD	Agence Française de Développement
BoP	Balance of Payments
DACF	District Assemblies Common Fund
DMBs	Deposits Money Banks
DRC	Debt Recovery Committee
GDP	Gross Domestic Product
GETFund	Ghana Education Trust Fund
GLSS	Ghana Living Standards Survey
GPRS	Ghana Poverty Reduction Strategy
GSE	Ghana Stock Exchange
HIPC	Highly Indebted Poor Country
IAA	Internal Audit Agency
IDA	International Development Agency
IMF	International Monetary Fund
MDAs	Ministry, Departments and Agencies
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MPC	Monetary Policy Committee
NGOs	Non-Governmental Organisations
NHIL	National Health Insurance Levy
PSBR	Public Sector Borrowing Requirement
SMEs	Small and Medium-scale Enterprises
SOEs	State Owned Enterprises
TOR	Tema Oil Refinery
WAMZ	West African Monetary Zone

TABLE OF CONTENTS

Section 1: Introduction.....	7
Section 2: The World Economy	9
Summary of Performance-2005.....	9
Commodity Prices	10
Outlook for 2006.....	11
Section 3: The West African Economy	13
Summary of Performance-2005.....	13
Outlook for 2006.....	14
Section 4: Macroeconomic Performance in 2005	16
Developments in Key Macroeconomic Indicators	16
Growth in GDP	16
Fiscal Developments	20
Receipts.....	20
Payments	22
Budget Balances	24
Monetary Developments	25
Exchange Rate Developments.....	26
External Environment	28
DEVELOPMENTS IN EXTERNAL ASSISTANCE MANAGEMENT	30
Section 5: Macroeconomic Update in 2006	33
Real Sector Indicators	34
Price Developments.....	34
Inflation Rate	34
Interest Rate Developments.....	35
Developments in the Foreign Exchange Market	35
Fiscal Developments.....	36
<i>Receipts</i>	37
<i>Payments</i>	38
Poverty Expenditures and Utilisation Of HIPC Funds	40
Government Spending on Poverty Related Expenditures.....	40
Utilisation of HIPC Funds.....	40
Domestic Debt	41
Monetary Developments	43
External Sector Developments	44
Financial Market Developments.....	44
Developments in External Assistance Management.....	44
External Debt Stock.....	44
New Financing Commitment.....	45
Multilateral Debt Relief Initiative (MDRI)	46
External Assistance Policy and Strategy	47
2006 for Outlook	47
Section 6: Review of Budget Performance	49
PRIVATE SECTOR DEVELOPMENT	49
HUMAN RESOURCE DEVELOPMENT.....	70
GOOD GOVERNANCE.....	79
Section 7: Supplementary Estimate	93

Receipts	93
Payments	95
GOOD GOVERNANCE AND CIVIC RESPONSIBILITY.....	95
PRIVATE SECTOR DEVELOPMENT	99
HUMAN RESOURCE DEVELOPMENT	101
Section 8: Conclusion.....	103

LIST OF TABLES

Table 1: Trends in Average Terms of New Commitment (2002 – 2005) ..	31
Table 2: Change in Rates of Government Securities	43
Table 3: Debt Stock by Creditor Categorization in US\$M (April, 2006)	45
Table 4: MDRI Projections in million US \$ (2006-2009).....	46
Table 5: Expected Debt Relief from the MDRI.....	94

LIST OF FIGURES

Figure 1: Index of World Commodity Price Movements.....	10
Figure 2: Trends in Real GDP Growth Rates in West African Monetary Zone (2001-2005)	13
Figure 3: Trends in Inflation in the WAMZ (2001-2005).....	14
Figure 4: Real GDP Growth Rate and Bank of Ghana Composite Index.....	17
Figure 5: Domestic VAT and Real GDP Growth Rate.....	18
Figure 6: Total Number of Tourists Arrival and Total Expenditure of Tourists.....	18
Figure 7: Employment Opportunities Through Daily Graphic	19
Figure 8: Developments in Monetary Aggregates and Inflation (2004-2005)	25
Figure 9: Interest Rate Developments in per cent (2004-2005)	26
Figure 10: Exchange Rate Depreciation Developments	27
Figure 11: Total Remittances (2002-2005).....	28
Figure 12: Recipients of Inward Remittances in 2005 (per cent)	28
Figure 13: Gross International Reserves	29
Figure 14: Comparative Analysis of 1st Quarter Domestic Debt Stock.....	42

APPENDIX TABLES

Appendix Table 1:	Selected Economic Indicators, 2002-2006
Appendix Table 2:	Medium Term Expenditure Framework - 2005-2006 Total Receipts
Appendix Table 3:	Medium Term Expenditure Framework - 2006 Total Receipts
Appendix Table 4A:	Medium Term Expenditure Framework - 2005-2006 Total Payments
Appendix Table 4B:	Medium Term Expenditure Framework - 2005-2006 Total Receipts
Appendix Table 5A:	Medium Term Expenditure Framework – 2006 Total Payments
Appendix Table 5B:	Medium Term Expenditure Framework - 2006 Total Receipts

Appendix Table 6:	2006 Supplementary Expenditure By Function And Programme
Appendix Table 7:	2006 Supplementary Budget - Breakdown Of Allocation
Appendix Table 8:	Proposed Loans
Appendix Table 9:	Ghana's Balance of Payments 2003-2005

Section 1: Introduction

1. Mr. Speaker, in November 2005, the 2006 Budget Statement and Economic Policy, was presented to this house. The Budget reflected the strategic focus of the Growth and Poverty Reduction Strategy (GPRS II) which emphasises "accelerated growth as a means of wealth creation, poverty reduction and equitable social development'.
2. Mr. Speaker, since the 2006 Budget was approved by this house, there have been significant developments on the macroeconomic front. As you are aware, Ghana is one of the 18 countries to benefit from the Multilateral Debt Relief Initiative (MDRI) involving irrevocable debt stock cancellation of outstanding obligations to the IMF, World Bank and the African Development Bank. The relief, effective this year, will be used to augment the current level of public investment to accelerate the achievement of the Millennium Development Goals (MDGs) and thereby reduce poverty. These developments require some adjustments in our agreed programme for the year and a re-direction in our efforts to achieve the objectives of our national development agenda.
3. Mr. Speaker, when the Budget Statement and Economic Policy of the Government of Ghana for 2006 financial year was presented in November last year, the information on the economy's performance for the entire year was not available. We were therefore compelled to provide an assessment of the economy based on provisional data through the third quarter and our 'best' projections for the rest of that fiscal year.
4. In the light of the availability of more current data for the fiscal year 2005, we are pleased to present to you, an updated review of the performance of the economy and a supplementary estimate for the approval of this August house. The aim of this review of Economic Performance and Supplementary Estimate is therefore three-fold, namely:
 - To provide a summary of overall 2005 performance based on end year data;
 - To provide an assessment of the economy's performance to date wherever reconciled data is available, as well as an outlook for the remainder of 2006; and

- To request for approval of the supplementary estimate as required in accordance with Article 179 (8) of the Constitution and Standing Order 143 of Parliament.
5. Bearing in mind the direction of the approved 2006 Budget, and with regard to the new inflows coming in from the MDRI, we are seeking approval of this house, to provide resources to priority sectors and sub-sectors, to enable us achieve the growth targets we have set for year 2006.
 6. Mr. Speaker, highlights of 2005 performance, report on progress made with respect to Budget implementation in some key sectors of the economy in 2006, as well as the details of the supplementary estimate for the remainder of the year are presented below.
 7. A detailed review and assessment for the 2006 financial year policy, structural and sectoral issues will be reported in the 2007 Budget statement and Economic Policy which will be presented to the house in November of this year.

Section 2: The World Economy

Summary of Performance-2005

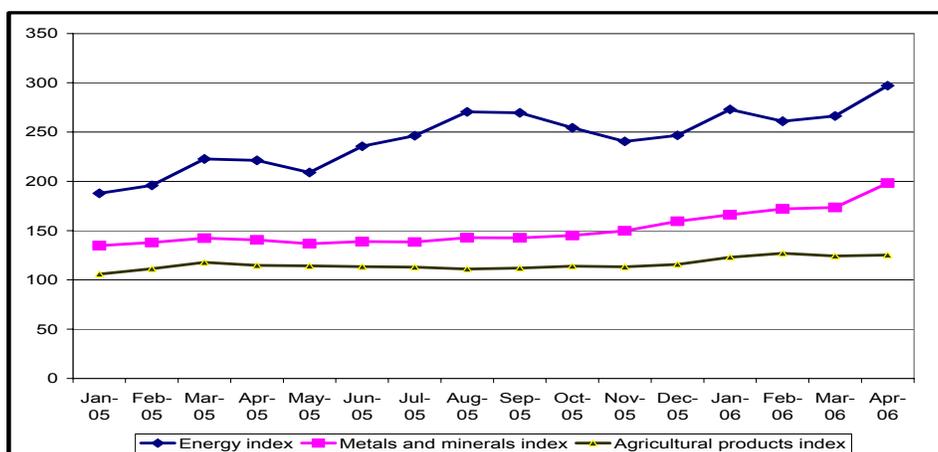
8. The world economic performance in 2005 has been generally positive. Inflation has been kept at historic low levels in most advanced economies, despite rising world oil prices. Long-term interest rates have also followed a similar trend. Despite rising world oil prices, the world economy grew by about 3.6 per cent in 2005. The cumulative growth performance of low-and middle-income countries in 2005 was estimated at 6.4 per cent. The strong growth was underpinned by robust growth in China and India, where output is estimated to have increased by about 9.9 and 8.0 per cent, respectively. Excluding these countries, growth in other oil-importing developing countries came in at an estimated 4.3 per cent, down significantly from 5.7 per cent in 2004. Most importantly however, economies in every developing region continued to grow at above-trend rates in 2005 notwithstanding higher oil prices.
9. For the industrialized economies as a whole, growth in 2005 was achieved at 2.8 per cent, compared to 3.3 per cent in 2004. There was a substantial drop in industrial production and trade flows among these countries. Growth however seems to have picked up in 2006. By the end of the first quarter of 2006, year-on-year growth stood at 3 per cent.
10. In the United States of America's economy, developments such as high oil prices, rising short-term interest rates, a cooling of the housing market, and an unusually disruptive hurricane season subdued growth in the United States of America to 3.5 per cent in 2005 as compared with 4.2 per cent in 2004.
11. Unlike the economy of the United States of America, the slowdown in the Eurozone was limited; thanks to the relatively low oil intensity of European economies coupled with substantial excess capacity, and a relaxed macroeconomic policy stance.
12. The Asia region continued to enjoy rapid growth in 2005 though lower than in 2004. Cumulatively, the region's GDP is estimated to have increased by 8.8 per cent, down from 9.1 per cent in 2004. Growth in the region continued to be led by China with 9.9 per cent.

13. The overall growth of Sub-Saharan Africa is estimated at 5.2 per cent in 2005, driven by strong growth in resource-rich countries. Oil-exporting economies achieved 6.4 per cent growth in GDP in 2005. For the small oil importing economies, economic activity expanded by a slower rate but still robust at 4.3 per cent, lower than the 4.7 per cent in 2004.
14. According to the World Bank, 2005 represents the fifth year in a row that the region's growth was at least 3.5 per cent. Also interesting to note is the fact that this strong outturn reflects stronger growth by many countries rather than very fast growth by a few. Notwithstanding the favourable GDP growth, external balances in many oil-importing countries have come under pressure. Excluding South Africa, the current-account position of oil importers deteriorated by 2.8 percentage points in 2005, reaching 6.4 per cent of GDP.

Commodity Prices

15. Mr. Speaker, towards the end of last year, crude oil prices which had risen steadily since 2003, showed signs of slowing down and stabilizing at around the US \$ 60 per barrel level that we used when this year's budget was prepared. However, the market remains tight, and the pricing power of OPEC has increased. As a result, prices are volatile and sensitive to small changes in perceptions such as concerns over future supply, which sent barrel prices towards the US\$75 mark in late June 2006.
16. Prices for agricultural goods, metals, and minerals have also experienced sharp increases reflecting continued strong growth in the global economy. Average metals and minerals prices have increased by about 27 per cent in 2005 and 24 per cent in the first four months of 2006. However, agricultural prices have been relatively stable, recording a year-on-year increase of 9.3 per cent in April 2006. Average cocoa price dropped by 1.5 per cent in 2005. It, however, increased by 5.07 per cent in May 2006.
17. Mr. Speaker, gold prices, which showed increases in 2005, continued to rise in the first quarter of 2006. From the peak price of US\$ 537.1 per ounce in December 2005, the price of gold rose to 673.6 in May 2006 before it dramatically declined to reach 596.6 in June 2006.

Figure 1: Index of World Commodity Price Movements



Source: World Bank

Outlook for 2006

18. According to World Bank projections, the oil price increases in 2005 and early 2006 are expected to slow growth in high-income countries by about 1/4 of a percentage point in 2006 compared with what it would have been had prices remained stable. Improved net exports in the United States of America are projected to maintain the pace of growth in 2006, despite weaker consumer demand due to higher interest rates and a slowdown in the housing market.
19. For the Asia region, factors such as higher oil prices, reduced investment growth in China and reduced global liquidity are expected to slow regional growth. According to the World Bank, the region excluding China is expected to grow at about 5½ per cent in 2006. Also, stronger domestic demand, terms of trade effects and some currency appreciation are projected to result in about a US\$25 billion decline in the region's current-account surplus.
20. In developing countries, rising oil prices, high interest rates and rising inflationary pressures are expected to restrain growth in 2006. The region is however expected to outperform high-income economies in terms of growth.
21. For oil-producing countries, the outlook suggests that, high oil prices are expected to continue to feed into domestic demand—outstripping domestic supply and causing imports to continue rising rapidly, even as growth of export revenues slows. In view of this, GDP in oil-exporting developing countries could expand by 5.2 per cent in 2006. Their current-account surplus is also projected to drop below its current position of around 20 per cent of GDP. For the oil-importing economies including Ghana, growth is expected to accelerate to about

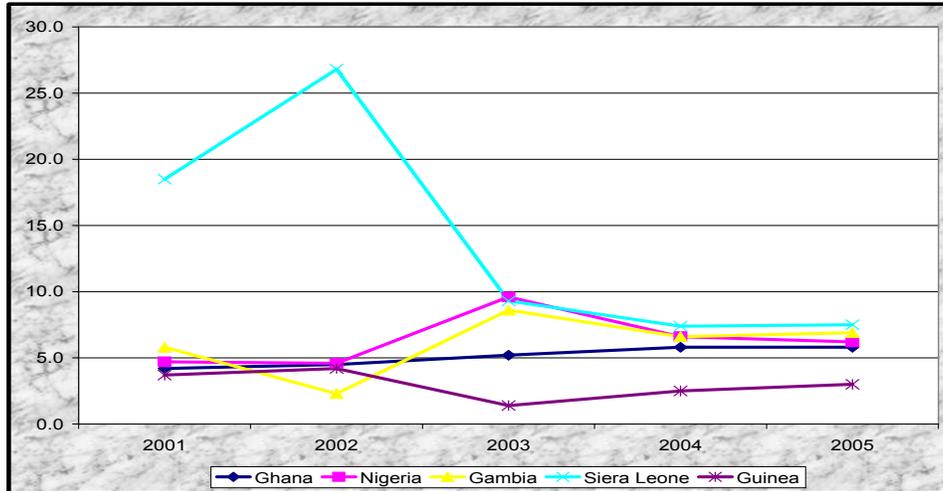
5.3 per cent, supported by stronger European growth, continued exports of goods and services to regional oil exporters, and a weaker negative effect from the reduction in textile and clothing quotas (World Bank, 2006)

Section 3: The West African Economy

Summary of Performance-2005

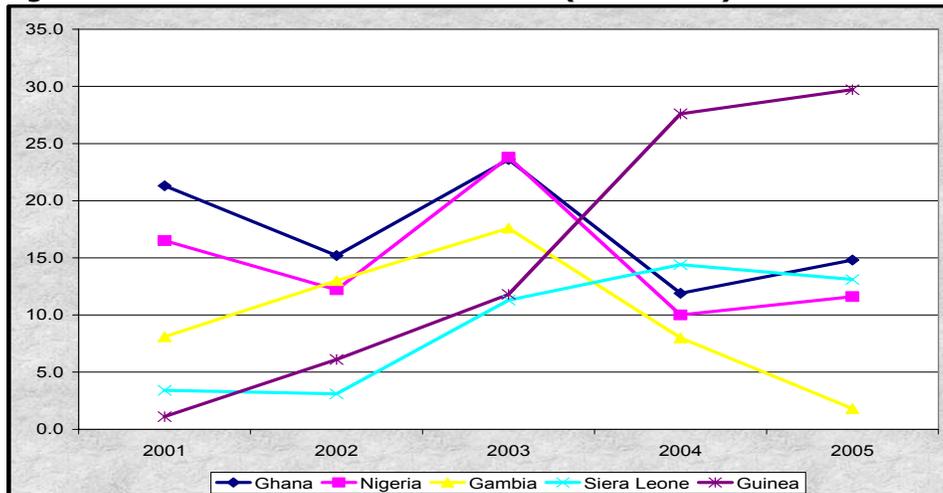
22. The review of economic performance of economies within the West African sub-region as a whole as indicated by the economic outturn in each respective economy shows significant improvement and robustness in these economies.
23. The **Gambian** economy proved remarkably resilient over the past 3 years. Growth in gross domestic product (GDP) was revised upwards to 6.9 per cent in 2005 compared to 6.6 per cent in 2004. The expansion was broad based and the short-term outlook remains generally positive. Despite strong growth and high oil prices, inflationary pressures remain well contained. Headline inflation, measured by the consumer price index, declined from 4.9 per cent in March 2005 to 1.7 per cent at end-March 2006.
24. The **Nigerian** economy grew by 6.2 per cent in 2005 despite a mix of external shocks and challenges arising from the banking sector consolidation. The overall macroeconomic performance was satisfactory. Nigeria's BB rating by Standard and Poor's was essentially due to the stable macroeconomic environment, especially, the stable exchange rate regime over the past two years. The headline inflation for 2005 was 11.6 per cent while core inflation was single digit at 8.8 per cent. Gross domestic product (GDP) grew by 2.7 per cent during the first quarter of 2006. Non-oil GDP grew by 4.8 per cent, while oil GDP declined by 2.5 per cent. The end-period inflation rate for the first quarter of 2006, on a year on- year basis, was 12.0 per cent, compared with 11.6 per cent recorded in the preceding quarter.
25. The **Sierra Leone** economy recorded an impressive performance during 2005, with further consolidation of the gains achieved in macroeconomic stability and real growth. The improved performance was propelled by significant growth in agricultural as well as industrial activities and a robust services sector. The general price level in 2005 remained fairly stable as compared to 2004.

Figure 2: Trends in Real GDP Growth Rates in West African Monetary Zone (2001-2005)



Source: WAMI

Figure 3: Trends in Inflation in the WAMZ (2001-2005)



Outlook for 2006

26. The outlook for the economies in the WAMZ sub-region remains positive for the remaining half of 2006 despite the downside risks posed by high crude oil prices. However, the windfall gains for some countries emanating from high oil and gold prices need to be managed carefully. A sizeable proportion of the gains must be set aside for investment in transport and other infrastructure; and in human

resource development to ensure sustained economic growth once the current commodity boom has run its course. More importantly, with the widening of the large imbalances in the global economy, should these unwind in a disorderly fashion with sharp sudden movements in exchange rates, a decline in world output and, thus, demand for African exports, cannot be excluded.

Section 4: Macroeconomic Performance in 2005

Introduction

27. Mr. Speaker, it would be recalled that at the time of the presentation of the 2006 Budget Statement and Economic Policies of Government to this August house, available data was mainly up to September 2005. Consequently, the report presented was based on projections resulting from annualized end-September data.
28. Mr. Speaker, it is now my pleasure to update those figures with actual provisional Budget outturn for 2005.
29. In 2005, Ghana's economy recorded a strong performance amidst the volatile international oil prices and met most of the key macroeconomic objectives under the GPRS II framework. The economy recorded a relatively high real GDP growth rate, significant moderation in inflation despite the liberalization of domestic petroleum prices and a considerable strengthening of the external position in the face of adverse shocks emanating from volatile crude oil prices. The consistent implementation of the fiscal and monetary framework crafted to focus on reduction in the domestic debt to GDP ratio provided an anchor for fiscal policy and contributed in large to the strong economic performance in 2005.

Developments in Key Macroeconomic Indicators

30. Mr. Speaker, the macroeconomic programme of the Government in 2005 aimed at consolidating the gains made in 2004. The year saw a rise in real GDP growth rate to 5.9 per cent, and a decline in point-to-point inflation to 14.8 per cent. The macroeconomic policies continued to strengthen the external position by building up gross international reserves to cover 4 months of import. An overall Budget deficit equivalent to 2.0 per cent of GDP was achieved and this policy stance provided room for the "crowding in" of private investment.

Growth in GDP

31. Mr. Speaker, Industry and Services sectors performed strongly in 2005 offsetting a slower growth in Agriculture owing to a lower growth in crops and livestock; and cocoa production and marketing. The strong growth of the two sectors outweighed the relatively low growth in

Agriculture to push the overall growth in GDP from a projected figure of 5.8 per cent to 5.9 per cent. (See Appendix Table 1)

32. Below are the details of the performance of the sectors and sub-sectors.
33. **AGRICULTURE:** Growth in this sector declined by 2.4 percentage points from the projected target of 6.5 per cent. The overall growth of the sector was 4.1 per cent. This was largely driven by Crops and livestock sub-sector which grew by 3.3 per cent instead of the targeted 6.0 per cent. Fishing had a negative growth (-1.2 per cent), and the major contributors to this decline were canoe fishing and industrial vessels. The other sub-sectors achieved the targeted growth rates.
34. **INDUSTRY:** The sector performed creditably by growing at 7.7 per cent, 1.9 percentage points above target. The projected growth for mining and quarrying sub-sector was 3.0 per cent. The actual growth recorded is 3.3 percentage points above target. The contribution of Gold to this growth was (0.5 per cent), while Diamond (16.6 per cent), Bauxite (21.8 per cent) and Manganese (7.7 per cent) contributed heavily to the growth.
35. Electricity sub-sector exceeded growth target, from a projected 6.7 per cent to 12.4 per cent driven by the reopening of VALCO. Construction also exceeded target by 3.0 percentage points while Manufacturing went down from a projected growth of 5.5 per cent to 5.0 per cent.
36. **SERVICES:** The overall growth of this sector went up from a projected 5.4 per cent to 6.9 per cent. The activities which contributed immensely to this increase were Transport, Storage and Communication (from 6.0 per cent to 7.9 per cent); Wholesale and Retail Trade, Hotels and Restaurants (from 6.1 per cent to 10.0 per cent); and Finance, Insurance, Real Estate and Business Services (from 5.6 per cent to 7.6 per cent). The increased growth in the services sector is further evidenced by the significant rising trends in economic indicators such as the increases recorded in the number of motor vehicles registered, tourist arrivals¹, job vacancies, as well as domestic VAT collections (see Figures 4,5,6 and 7).

Figure 4: Real GDP Growth Rate and Bank of Ghana Composite Index

¹ Information on Tourist arrivals was compiled from information gathered at the Kotoka International Airport

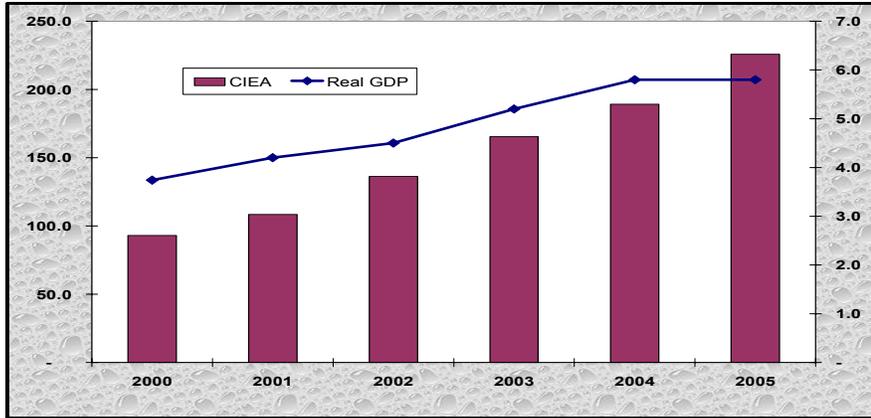


Figure 5: Domestic VAT and Real GDP Growth Rate

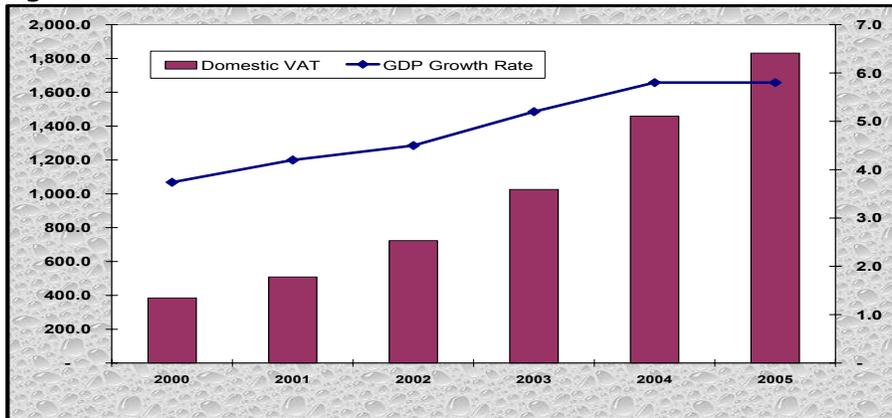
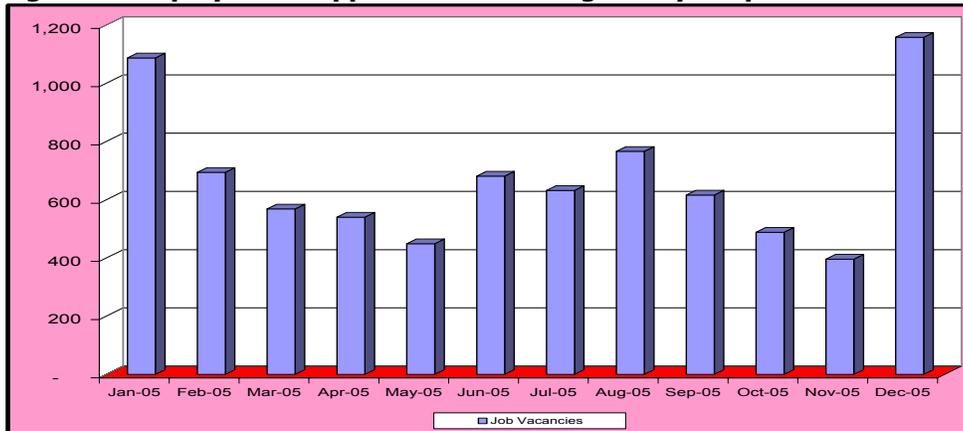


Figure 6: Total Number of Tourists Arrival and Total Expenditure of Tourists



Figure 7: Employment Opportunities Through Daily Graphic



37. Mr. Speaker, these macroeconomic statistics in 2005 are a reflection of the major policy reforms undertaken by the current government and attest to the resilience of our economy in the face of the rising crude oil prices. The stability resulting from the strong macroeconomic fundamentals, therefore, sets the stage to move the economy from

stability to sustainable growth and development, necessary for reaching middle income status in the medium term.

Fiscal Developments

38. Mr. Speaker, significant progress was made in the fiscal operations of the Government, as the fiscal outturn was broadly on track. The **overall Budget balance** recorded a deficit of 2.0 per cent of GDP in 2005, lower than the end year target of a deficit of 2.2 per cent and compares with 3.2 per cent in 2004. The domestic debt to GDP ratio has been reduced significantly to 10.8 per cent lower than the targeted reduction to 11.4 per cent. The fiscal prudence, together with enhanced public expenditure and financial management as well as the strong growth underpinned the more than the expected cut in the domestic debt to GDP ratio.

Receipts

39. Mr. Speaker, provisional fiscal outturn indicates that **total receipts** including donor grants, foreign loans and HIPC relief for 2005 amounted to ₦34,227.2 billion, equivalent to 35.3 per cent of GDP. This was about 4.4 percentage points below the Budget target for 2005.
40. **Total revenue** witnessed a slight shortfall equivalent to 2.5 per cent of the Budget target to stand at ₦23,156.2 billion, equivalent to 23.9 per cent of GDP. The outturn, however, showed a growth of 21.9 per cent over the level for 2004.
41. Mr. Speaker, **total tax revenue** for the period under review was ₦20,144.9 billion (20.8 per cent of GDP). The outturn shows a shortfall of 4.2 percentage points of the Budget target. Although, the underperformance of tax revenue mainly accounts for the shortfall in total revenue, the outturn indicates a growth of 15.8 per cent above the outturn for 2004.
42. Mr. Speaker, **direct taxes** which comprise personal, self employed, companies and others such as airport tax and the National Reconstruction Levy amounted to ₦6,615.2 billion, about 12.1 per cent in excess of the Budgeted level. The performance in direct taxes is the result of, among others, the reduction in corporate tax rate from 32.5 per cent to 28 per cent, which increased compliance significantly. The outturn for Company taxes exceeded the target for 2005 by 28.2 per cent and shows a 32.8 per cent increase over the 2004 outturn.

43. **Indirect taxes** amounted to ₺9,416.0 billion reflecting a shortfall of 9.1 per cent of the Budget estimate of ₺10,362.9 billion. With the exception of domestic VAT, all the various tax types under indirect taxes fell short of their Budget targets. Domestic VAT was 1.8 per cent above the Budget target and 25.5 per cent higher than the outturn for 2004.
44. The outturn of ₺4,113.8 billion for **International Trade Taxes** indicates a shortfall equivalent to 13.6 per cent of the estimated Budget amount of ₺4,761.4 billion. The shortfall in import duties could be attributed to the exemptions regime where some significant amounts of imports are not dutiable. The projected decline in **cocoa receipts** abated by 4.4 per cent to stand at ₺615.0 billion. This performance, which is on account of lower-than-projected international prices for the commodity as well as lower production volumes, was below the Budget target for 2005 and the outturn for 2004 by 30.1 per cent and 34.0 per cent, respectively.
45. The underperformance in import VAT adversely impacted on the budgeted yield of ₺1,339.2 billion for the **National Health Insurance Levy (NHIL)** which yielded ₺1,157.2 billion.
46. **Non-Tax Revenue** contributed an amount of ₺1,854.1 billion, ₺481.8 billion higher than the Budget target of ₺1,372.3 billion. The outturn represents an over performance equivalent to 35.1 per cent of the Budget target and is 63.2 per cent above the outturn for 2004. There was a significant growth in non-tax revenue in the last quarter of the year 2005 and this mitigated the slack in growth in tax revenue.
47. Mr. Speaker, **divestiture Receipts** for the period under review was ₺232.7 billion, 55.6 per cent below the Budget estimate of ₺524.0 billion.
48. **Total grant** disbursement amounted to ₺5,100.2 billion, 9.2 per cent below the Budget estimate of ₺5,618.0 billion. **Multilateral HIPC Assistance** was 16.1 per cent below the Budget target. **Programme grants** also fell short of target by 24.1 per cent, partly due to some expected IDA grant inflows included in the Budgeted programme grants, which were reclassified as loans. The outturn for Project grants, was ₺2,866 billion against a target of ₺2,872 billion.
49. Total loans received for the year 2005 was ₺4,544.6 billion over performing the Budget target by 5.3 per cent. Project loans exceeded the Budget estimate by ₺117.6 billion, while the outturn for **programme loans** was 8.4 per cent above the Budgeted amount.

50. Mr. Speaker, exceptional Financing of the Budget totaled ₺1,193.5 billion, reflecting an under performance of 22.5 per cent of the Budget estimate of ₺1,539.2 billion but an increase of 12.1 per cent over the outturn for 2004.

Payments

51. Mr. Speaker, the provisional actual outturn for **total payments** in 2005, made up of statutory and discretionary payments was ₺34,227.2 billion against a Budget estimate of ₺35,801.3 billion. This is a direct reflection of the weak revenue performance described above.

Statutory Payments

52. **Total statutory payments** which includes interest payments, amortization, and transfers to households, amounted to ₺11,127.2 billion, representing about 91 per cent of the Budget target for the year. The outturn reflects an increase of 24.3 per cent over the outturn for 2004.
53. **External Debt Service** for the period under review amounted to ₺2,949.5 billion. The principal component of the external debt due was ₺2,098.3 billion, against a targeted amount of ₺2,615.3 billion, while payments on external interest amounted to ₺851.3 billion, compared to a Budget target of ₺1,005.6 billion. The underperformance is not an indication of non repayment of debt service but rather an over projection of payments due, since all our external debt obligations were fully satisfied.
54. **Domestic interest payments** including interest paid on TOR bonds during the year amounted to ₺2,689.2 billion, against a target of ₺2,555 billion, representing an over payment of over ₺ 130 billion.
55. **Transfers to households**, comprising **pensions, gratuities**, transfers into the **national health fund** and **social security** contributions by Government on behalf of public servants, collectively amounted to ₺2,602.2 billion. This was lower than the Budget estimate of ₺2,927.7 billion by 11.1 per cent.
56. **The Road Fund and other Petroleum-Related Funds** received a total of ₺967.3 billion, of which the Road Fund received ₺926.9 billion. This compares with a Budget estimate of ₺964.1 billion.

57. The outturn for payments into the **District Assemblies Common Fund (DACF)** indicate that a total amount of ₵938.9 billion, against a target of ₵1,048.4 billion was paid into the DACF. The shortfall was as a result of the under-performance of tax revenues.
58. Total transfers into the **Ghana Education Trust Fund (GETFund)** in the year under review amounted to ₵980.2 billion. The transfers were lower than the Budget estimate by ₵144 billion due to the shortfall in VAT revenue for the year. The outturn reflects an increase of 19 per cent over that for 2004.

Discretionary Payments

59. Mr. Speaker, **discretionary payments** for the year totaled ₵23,100 billion which was lower than the Budget estimate by ₵460.8 billion. The outturn for **personal emoluments** amounted to ₵8,243.5 billion representing about 95 per cent of the Budgeted amount and an increase of 18.7 per cent over the 2004 outturn. The savings made in the wage bill was the direct result of efficiency gains arising out of improvements in public financial management.
60. **Administration and Service** recorded an outturn of ₵3,104.9 billion, out of which Service expenditure amounted to ₵949.2 billion. The expenditure on administration for the year exceeded its Budget estimate by ₵542.7 billion.
61. **Domestically-financed investment** excluding transfers into the statutory funds registered an outturn of ₵821.7 billion, about 42.5 per cent lower than the Budgeted amount of ₵1,427.9 billion. **Foreign-financed investment** at ₵5,946.1 billion, exceeded the Budget estimate by ₵111.6 billion on account of higher-than-expected inflow of project loans and grants.
62. Mr. Speaker, the outturn for **HIPC-financed expenditure** was ₵352.2 billion higher than the Budget target of ₵1,594.4 billion. The outturn indicates a 4.1 per cent increase over the outturn for 2004.

Clearance of Arrears

63. Mr. Speaker, in fulfillment of its obligation of paying the outstanding arrears on the DACF and GETFund, amounts of ₵53.9 billion and ₵43.1 billion were transferred into the DACF and GETFund respectively, as clearance of the arrears for 2005. Thus, ₵107.8 billion and ₵86.2 billion remain outstanding in respect of the two accounts, respectively.

64. An amount of ₪99.2 billion was cleared in respect of road arrears, while ₪918.2 billion relating to other outstanding payments due to commitments in 2004, including TOR's under recovery were liquidated.

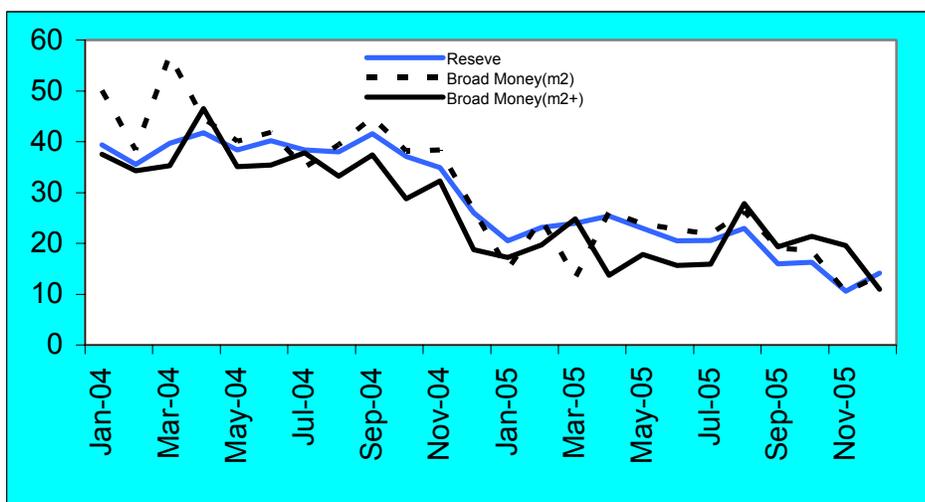
Budget Balances

65. The provisional fiscal outturn for 2005 resulted in an **overall Budget deficit** of 2.0 per cent of GDP, against a programmed deficit of 2.2 per cent. This is an immense improvement over the fiscal performance of 3.2 per cent realised in 2004.
66. The **Domestic primary balance**, recorded a surplus equivalent to 3.4 per cent of GDP, higher than the Budget target of 2.5 per cent of GDP, and registering one of the highest domestic primary surpluses in over a decade.
67. **Net Domestic Financing** of the Budget, showed a repayment of ₪1,574.4 billion, which was higher than the programmed repayment target of ₪996.2 billion.
68. This resulted in an over performance of the domestic debt to GDP ratio which had been targeted at 11.4 per cent. In effect, the domestic debt to GDP ratio registered 10.8 per cent of GDP as at the end of 2005.
69. Mr. Speaker, it is evident that developments in the fiscal deficit have been in line with the medium term fiscal objective of reducing domestic debt. The domestic debt to GDP ratio (excluding revaluation stock), was 10.8 per cent at the end of 2005, against 11.4 per cent which had been targeted for in 2005.
70. This has resulted in easing the pressure on domestic interest rates on the money market and, therefore, ensured growth in credit to the private sector in fulfillment of government policy objective. It has again led to a significant reduction in domestic debt service and therefore allowed the "crowding-in" of private sector investment. This resulted in a significant expansion of credit extended by the Deposits Money Banks (DMBs), which rose from 24.7 per cent at the end of 2004 to 40.0 per cent at the end of 2005. The private sector accounted for the largest share of the DMBs credit, recording 80.6 per cent in 2005, while the remaining 19.4 per cent went to the public sector.

Monetary Developments

71. With the new inflation-targeting framework and the Monetary Policy Committee Process, the central bank maintained its effort to control liquidity and reduced inflation in 2005. The growth of the reserve money and the monetary aggregates continued to fall in 2005. Reserve money recorded an annual growth rate of 13.0 per cent in 2005 as against the end year target of 18.2 per cent. Similarly, the total liquidity as measured by the broad money supply (M2+) recorded an increase of 14.1 per cent in 2005, much lower than the end year target of 23.1 per cent.

Figure 8: Developments in Monetary Aggregates and Inflation (2004-2005)



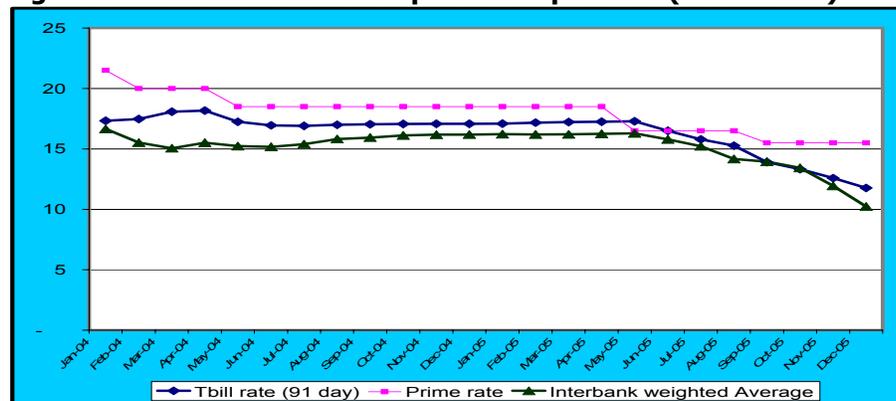
72. The slowdown in the growth of monetary aggregates contributed to the significant slow down in inflation at the end of 2005 by containing the impact of the significant increases in domestic petroleum prices on the 12-month CPI inflation. Inflation, which peaked at 16.7 per cent in the first quarter, was brought down to 14.8 at the end of 2005 while the core measures of inflation remained in the single digit band, suggesting low underlying inflationary expectations.

Developments in Interest Rates

73. The lowering of the Bank of Ghana's prime rate (an indicator of the direction of the Bank's monetary policy) and the secondary reserve requirement in the middle of the year, contributed greatly to keep credit expansion to the private sector robust, to ensure that the central bank met the challenge of pursuing its price stability objective while at the same time encouraging appropriate growth of credit to the private

sector. This development reflected in continued slow down in all the money market rates as the average interest rate on the 91-day treasury bill instrument dropped from 17.1 per cent in 2004 to 11.8 per cent in 2005 while the interbank weighted average rate fell from 16.2 per cent to 10.2 per cent for the same period. This is consistent with the government's commitment to make the private sector the engine of growth.

Figure 9: Interest Rate Developments in per cent (2004-2005)



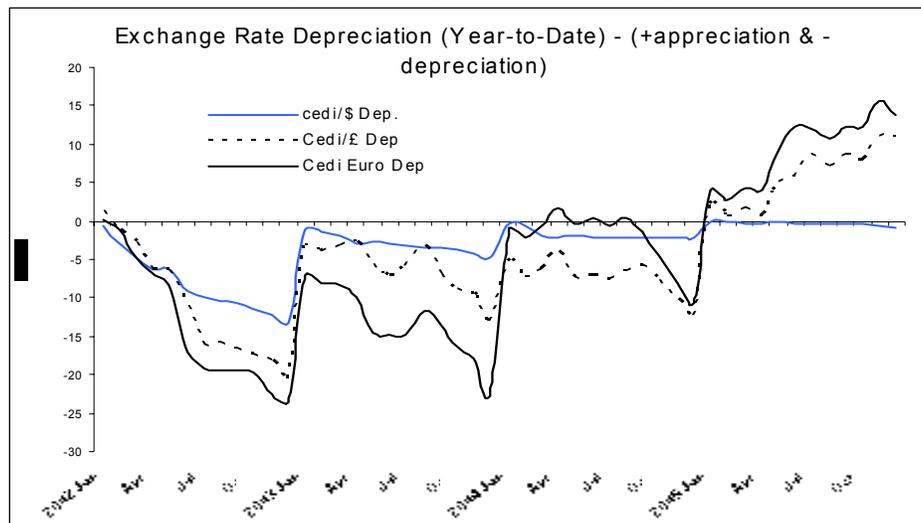
74. Some structural reforms in the financial sector were undertaken by the Bank of Ghana to remove key impediments in the financial sector to enhance release of resources to the productive sectors of the economy. These reforms resulted in bringing the financial institutions to focus on their intermediation function as compared to the situation where the banks used to find refuge in investing more in government bonds and bills.
75. The desire to strengthen the legal and regulatory frameworks of the financial institutions in 2005 resulted in the drafting of the foreign exchange payments system and the anti-money Laundering bills. These respective bills seek to provide a new statutory framework for the management of the foreign transaction to enhance free flow of capital and to prevent money laundering.

Exchange Rate Developments

76. The relative stability in the local currency against the major currencies continued in 2005. The cedi appreciated by 11.1 and 13.8 per cent on year-on-year basis against the Pound Sterling and the Euro respectively, while a moderate depreciation of 0.9 per cent was recorded against US dollar. This was on account of continued foreign exchange inflows, due partly to improved private remittances through formal channels, improved foreign exchange liquidity on the forex market, sound fiscal and monetary policies as well as a continued build

up in external reserves. Another development worthy to mention is the appreciable improvement in the volume of transactions in foreign exchange in 2005. It expanded by 24.4 per cent from U.S. \$4,978.87 million in 2004 to US\$6,192.10 million in 2005.

Figure 10: Exchange Rate Depreciation Developments



Real Exchange Rate Developments

77. The relative stability in the local currency against the major international currencies coupled with inflation differentials between Ghana and its trading partners resulted in some real appreciation of the cedi. This appreciation is however, a reversal of the exchange rate crisis in 2000 which saw a sharp depreciation of the local currency in both nominal and real terms.

Inward Transfers

78. Private inward transfers – received by NGOs, religious groups, individuals, service providers etc. - through the banks and finance companies for January – December 2005 amounted to US\$4.8 billion, which represents a 58.3 per cent increase over the corresponding period in 2004.
79. Of the total transfers in 2005, US\$1,391.1 million (29.2 per cent) accrued to individuals. The share of service providers was highest at 30.2 per cent (see chart, left). In January – December 2005, the share of individuals in monthly total remittances ranged between 23.5 and 45.4 per cent with the highest share of 45.4 per cent (\$278.0 million)

being recorded in October while the lowest share of 23.5 per cent (\$117.7 million) occurred in December.

Figure 11: Total Remittances (2002-2005)

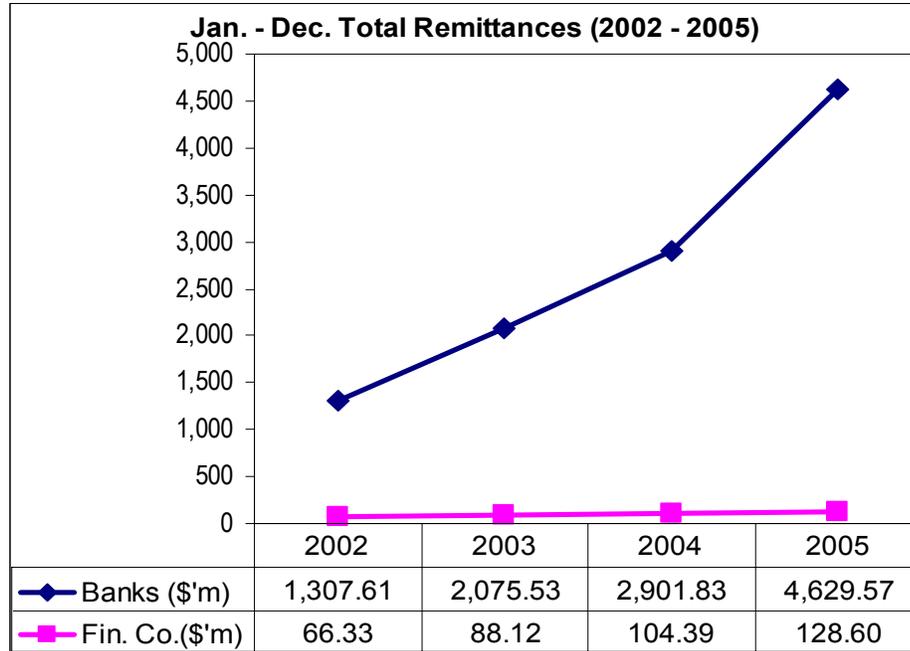
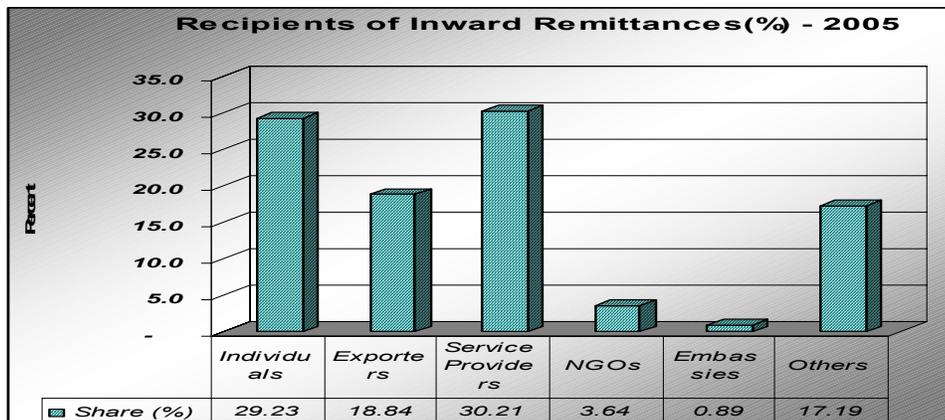


Figure 12: Recipients of Inward Remittances in 2005 (per cent)

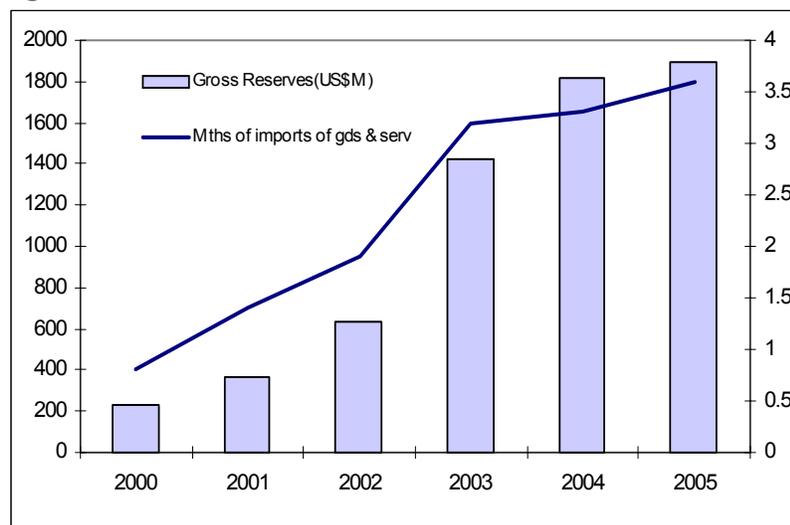


External Environment

80. The external liquidity conditions showed that the external sector remains viable, amidst unfavourable terms of trade resulting from the volatile crude oil prices, as Gross International Reserves recorded a

provisional estimate of US\$1,894.9 million at the end of 2005 enough to provide for 3.8 months of imports of goods and services. This was achieved through vigorous efforts to increase export revenue, increased competitiveness of the economy through export diversification, and increased private foreign remittances as well as significant donor disbursements through benefits from the HIPC initiative.

Figure 13: Gross International Reserves



81. The external current account for 2005 showed a deficit position of US\$1,378.5.0 million, almost double the size of deficit registered in 2004. This trend was on account of a strong growth in investment imports associated with ongoing mega projects (mining and West African Gas Pipeline), increased imports associated with donor loan inflows, and the impact of higher world oil prices. The current account deficit was more than financed from large capital inflows- reflecting a pick up foreign direct investment in mining, energy, and services

sectors- and increased concessional loans. Consequently, gross international reserves reached US\$1.894 million, equivalent of 3.8 months of imports, deepening the country's resilience against external shocks.

Developments in External Assistance Management

External Debt Stock

82. By the end of 2005, the medium and long-term external debt stood at **US\$6.35 billion**, representing a **2.4 per cent** increase over the 2004 stock of debt of **US\$6.2billion**. In terms of composition, multilateral institutions accounted for 88.0 per cent notably the World Bank (68 per cent), bilateral (Paris Club and Non-Paris Club) debt representing 8.2 per cent and commercial creditors accounting for 4.2 per cent.

Disbursement Inflows

83. Total external inflows into the economy in 2005, was US\$997.7 million. This was made up of loan inflows of US\$535.6 million and grant inflows of US\$462.16 million. This is an increase of US\$279.1 million (39 per cent) over the 2004 inflows of US\$718.6 million. This indicates some measure of success in Government and Development Partner's efforts to improve external aid utilization through the harmonization of policies, procedures, practices and to minimize conditionalities. It also brings to light, the improvement in aid reporting by donors.
84. Project inflows of US\$715.9 million accounted for about 73.7 per cent of the total external inflows. Of this, US\$373.0 million and US\$342.9 million were from loans and grants, respectively.
85. Total programme inflows to support the Budget was US\$281.88 million as against a projected inflow US\$285.3 million. The difference was as a result of exchange rate variations of the US dollars vis-à-vis the Special Drawing Rights (SDR) and the Euro. The loan component accounted for US\$162.62 million (58 per cent) and grant disbursements of US\$119.3 million (42 per cent). This indicates an 100 per cent disbursements of pledged funds made by Development Partners under the MDDBS, which we have experienced since its inception in 2003.

External Debt Service Payments

86. Government's projected debt service payment for the year 2005 was US\$406.0 million. This represented US\$ 292.6 million for principal and US\$ 113.4 million for interest and other charges. Actual debt service payment paid up to the end of 2005 was US\$140.6 million. This represented US\$90.9 million and US\$49.7 million for principal and interest respectively. The savings represented debt relief funds under the Enhanced HIPC Initiative.

New Aid Commitments

Loans

87. Up to end of 2005, 16 new concessional loans were contracted to support projects that are directly linked to the GPRS. The main sectors that benefited from the new loans contracted include Roads, Water, Agriculture and Energy sectors. The total amount committed was **US\$610.7 million**, representing a slight increase of about 4 **per cent** over the last year's committed amount of **US\$587.7million**. The increase clearly demonstrates government's commitment to borrow prudently to ensure long-term debt sustainability while achieving our growth and development objective.
88. On creditor categorization basis, 60.0 per cent of the total amount contracted came from multilateral institutions mainly from the International Development Association (IDA) and African Development Fund, EIB and OPEC Fund and 40 per cent from bilateral sources such as France, Netherlands, China and India.

Average terms of new loan commitments

89. Government continued to pursue the strategy of contracting new borrowings on very concessionary terms. Thus, the policy to contract loans with a minimum grant element of 35 per cent has been adhered to as evidenced in the table below on trends in average terms of new commitment from year 2002 to 2005. From an average rate of about 74.6 per cent in 2002, the grant element, which defines the concessionality of a loan, rose to about 80 per cent in 2004 but declined slightly to 76.8 per cent in 2005 mainly as a result of the World Bank weaning us off grants because of our improved economic and structural performance which is reflected in the Country Policy and Institutional Assessment (CPIA) for Ghana.

Table 1: Trends in Average Terms of New Commitment (2002 – 2005)

All Creditors	2002	2003	2004	2005
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Interest (per cent)	2.8	0.8	1.0	1.2
Maturity (years)	16	43.2	43.5	40
Grace Period (Years)	5	10	10	8.5
Grant Element (%)	74.6	79.1	80.0	76.8

Source: MoFEP

Grants

90. Total number of grants signed in 2005 was 22 with a total committed amount of US\$ 273.8 million to support the water, education, agriculture, health and private sector development.

Section 5: Macroeconomic Update in 2006

91. Mr. Speaker, you will recall that the broad economic and financial programme objective for the 2006 fiscal year outlined in the 2006 Budget and Economic Statement of the Government included:
- a real GDP growth of at least 6 per cent;
 - a lowering of end of period inflation to single digits – between 7 – 9 per cent by end-year;
 - average inflation rate of 8.8 per cent;
 - a further accumulation of international reserves to a target of four months of imports;
 - domestic primary balance of 2.0 per cent of GDP;
 - an overall Budget deficit equivalent to 2.1 per cent of GDP; and
 - a domestic debt to GDP ratio of 8.7 per cent.
92. Mr. Speaker, developments in the economy during the first quarter, and in some cases up to the first four months of 2006 (where data is available), show mixed results. While most of the macroeconomic indicators performed creditably, few others underperformed. The pointers indicate that overall, Government is on track to achieving the targets for 2006.
93. Mr. Speaker, the ratio of domestic debt to GDP remains Government's fiscal anchor and, the target, as indicated in the 2006 Budget remains the same.
94. The main fiscal target is to reduce the domestic debt to GDP ratio from 10.8 per cent at the end of 2005 to 8.7 per cent at the end of 2006, as stated in the 2006 Budget Statement. Consequently, the over-performance of the domestic repayment in 2005 created additional fiscal space for spending in 2006. The additional space of ₪577.7 billion will, therefore, cover commitments (the float) from 2005.
95. As a result of the over performance of the Net Domestic Financing target and, hence, the stock of domestic debt as a percentage to GDP, the net domestic financing for 2006 has been revised to a net borrowing of ₪215 billion. This includes the issue of additional TOR

bonds of ₵805 billion, to cover under-recovery due to the rising crude oil prices.

96. Mr. Speaker, this net borrowing of ₵215 billion is consistent with the objective of reducing the domestic debt to GDP ratio to 8.7 per cent at the end of 2006.

Real Sector Indicators

97. Mr. Speaker, even though production data for the real sector is not yet available, selected indicators point to a continued expansion in the economy notwithstanding the downside risk emerging from the high and volatile international crude oil prices. Income and corporate tax collections by the Internal Revenue Service (IRS) for the first four months of the year amounted to ₵1,843.19 billion, 6.2 per cent higher than that collected during the same period last year. Workers contributions to Social Security and National Insurance Trust (SSNIT) from January to April 2006 totalled ₵990.7 billion as against ₵594.3 billion collected in the corresponding period of last year an improvement of 66.7 per cent. Data available from DVLA indicated that new vehicle registration from January to April indicated a positive growth of 16.0 per cent to 25,413 compared to the same period last year. For the beginning of the year to April a total of 133,425 international tourists visited the country averaging around 33,356 per month.
98. On the employment side, the growth in job vacancies announcements provides further evidence of a strong economy with job vacancies increasing by 30.2 per cent from 2,042 during the last quarter of 2005 to 2,658 in the first quarter of 2006. Cumulatively from January to April, a total of 3,249 job openings have been announced through the Daily Graphic alone. Were this trend to continue, the number of job openings from this source will amount to about 9,746 in 2006 as compared to 8,067 in 2005, an increase of about 20.8 per cent.
99. The Bank of Ghana's Composite Index of Economic Activity confirms the upward trends in the economy. The Index rose by 4.6 per cent in real terms between January and April 2006.

Price Developments

Inflation Rate

100. Mr. Speaker, inflationary pressures continued to fall during the first four months of the year. Headline inflation declined from 14.9 per cent at the end of 2005 to 14.6 per cent and 12.1 per cent in January and February respectively. It declined further to 9.9 per cent at the end of the first quarter in 2006. The disinflation process continued to April with average prices increasing by 9.5 per cent making it the lowest ever recorded since May 1999. The inflation rate inched up marginally in May 2006 to 10.2 per cent as a result of the pass-through effect of the April fuel price adjustment of 10 per cent.

Interest Rate Developments

101. The Monetary Policy Committee (MPC) of the Bank of Ghana met twice during the first quarter of 2006. The Prime rate was reduced at its first meeting in January 2006 from 15.5 per cent to 14.5 per cent in line with the balance of risks in the outlook for price stability. However, at its second meeting in March 2006, the Prime rate was kept unchanged at 14.5 per cent. Nevertheless, the downward trend continued to impact on interest rates in the economy. In the government securities market, the average interest rate on the 91-day Treasury bill instrument declined further to 9.8 per cent as at the end of March 2006, whilst the interbank weighted average rate recorded 8.3 per cent. This resulted in a further downward monotonic shift in the yield curve.
102. The borrowing and lending rates of DMBs also continued to trend downwards in line with developments in the Prime Rate and government securities market. The average 12-month time deposit rate of DMBs went down by 1.8 percentage points compared to the levels in the corresponding period last year to 9.5 per cent while their average lending rate fell by 2.8 percentage points to 26.0 per cent. DMBs base rates also fell by 3.8 percentage points compared to last year's levels to 21.3 per cent as at the end of March 2006.

Developments in the Foreign Exchange Market

103. Mr. Speaker, the domestic foreign exchange market continued to be relatively stable during the first quarter of 2005 thanks to the sustained macroeconomic stability, the relatively healthy international reserves position and growing confidence in the economy. The weakening of the US dollar on the international market also impacted on the relative strength of the Cedi against major foreign currencies.

104. The numbers showed that from January to May, the cedi depreciated against the US dollar by 0.2 per cent in the interbank market, same as in the corresponding period of last year. The cedi was weaker against the pound sterling and the euro in the interbank as it depreciated by 8.6 per cent and 7.9 per cent respectively during the first five months of the year.
105. In the forex bureau market the cedi posted stronger performance during the quarter as it recorded 0.3 per cent appreciation against the dollar but depreciated by 5.3 per cent and 5.5 per cent against the Pound and the Euro respectively.
106. The volume and depth of foreign exchange transactions by the banks and forex bureaus expanded in the first quarter this year. The volume of transactions amounted to US\$1,728.1 million which was 5.5 per cent higher than the volume recorded during the previous quarter and 16.9 per cent higher than the recorded volume of transaction during the same quarter a year ago.

Fiscal Developments

107. Mr. Speaker, for the first four months of the year (January to April), the **overall Budget balance** showed a deficit of ₵2,416.1 billion (2.2 per cent of GDP) compared with a deficit of ₵1,386.8 billion (1.4 per cent of GDP) in the corresponding period of 2005. The **domestic primary balance** also recorded a deficit of 1,803.6 billion (1.6 per cent of GDP) compared with a surplus of ₵995.4 billion (1.0 per cent of GDP) in the same period of 2005.
108. Mr. Speaker, these apparent relatively under-performance in the fiscal outturn compared to the same period in 2005, are not surprising because spending and disbursements in 2006 started right at the beginning of the year, as the 2006 Budget had the approval of this August house even before the year started. In consequence, therefore, the full implementation of the Budget started from January 1, 2006, a marked departure from previous years, where full implementation started after the passage of the Appropriations Act towards the end of March within the fiscal year. It is expected that as the year progresses and revenue inflows pick up and external resource inflows are disbursed, the trend will be reversed to the normal path of the Budget outturn as elaborated in the 2006 Budget.

109. Mr. Speaker, may I proceed to elaborate on the details of the performance for the first four months of the 2006 Budget implementation.

Receipts

110. Mr. Speaker, provisional fiscal outturn for the first four months of 2006 indicates that **total receipts** amounted to ₦11,962.2 billion, against the outturn of ₦9,020.1 billion registered for the same period during 2005. This shows a 32.6 per cent increase over the outturn for the corresponding period of 2005.
111. **Total revenue** for the period under review was ₦6,637.8 billion, 6.4 per cent higher than the programmed amount of ₦6,238.7 billion and an increase of 2.2 per cent over the outturn for the same period in 2005.
112. **Total tax revenue** was ₦6,121.7 billion, against a programmed target of ₦5,675.3. The performance of tax revenue, however, shows a 2.5 per cent increase over the performance for the corresponding period in 2005.
113. **Direct taxes** which comprise personal, self employed, companies and others such as airport tax and the National Reconstruction Levy amounted to ₦1,802.6 billion, about 0.9 per cent lower than the outturn for the same period last year. The performance in direct taxes is mainly due to the delay in assessment of companies for the year.
114. **Indirect taxes** for the period under review amounted to ₦3,163.6 billion showing about 9.0 per cent increase over the outturn for the corresponding period in 2005.
115. Mr. Speaker, the outturn for **International Trade Taxes** was ₦1,155.6 billion indicating a shortfall equivalent to 3.9 per cent of the programmed amount of ₦1,202.1 billion, and 7.6 per cent lower than the outturn for the same period in 2005. The under performance is due to the fact that for the period under review there has not been any receipts from cocoa export duties. It is important to note that for the same period last year a total amount of ₦180.7 billion had been received as cocoa duties.
116. Receipts for **National Health Insurance Levy (NHIL)** amounted to ₦365.7 billion showing a 6.9 per cent increase over the outturn for the same period in 2005.

117. **Non-Tax Revenue** for January to April amounted to ₺150.4 billion, ₺45.0 billion higher than the programmed target. The outturn, however, is 14.5 per cent lower than the outturn for 2005.
118. **Total grant** disbursement for the period under review amounted to ₺1,781.3 billion, reflecting a 41 per cent increase over the outturn for the same period in 2005. **Multilateral HIPC Assistance** saw an 82.4 per cent increase over the 2005 level for the same period, while **programme grants** recorded about 160 per cent increase over the outturn for the same period in 2005. The outturn for **project grants** was ₺651.9 billion, about 9.7 per cent lower than the outturn for the corresponding period in 2005.
119. **Total loans** amounted to ₺679.7 billion, implying a lower outturn of 46.3 per cent, compared to that for the same period in 2005. **Project loans** was below the programmed target, by ₺455.6 billion, while no disbursements had been made for **programme loans**.

Payments

120. Mr. Speaker, the provisional actual outturn for **total payments** for the first four months of the year 2006, comprising of **statutory and discretionary payments** was ₺11,962.2 billion. This outturn compares to ₺9,020.1 billion for the corresponding period in 2005. The details are enumerated below.

Statutory Payments

121. **Total statutory payments** which includes interest payments, amortization, and transfers to households, amounted to ₺3,089.2 billion, 28.3 per cent lower than the programme target for the year. The outturn indicates a 17.3 per cent increase over the outturn for the same period in 2005.
122. **External Debt Service** for the period under review amounted to ₺989.5 billion. The principal component of the external debt due was ₺715.4 billion, representing a 3.6 per cent decrease over the outturn for same period in 2005. Payments on external interest amounted to ₺274.1 billion, which was higher than the outturn of ₺265.6 billion during the corresponding period in 2005.
123. **Domestic interest payments**, including interests on TOR bonds, amounted to ₺554.9 billion, indicating a ₺28.6 billion decrease over the outturn of ₺777.2 billion recorded for the same period in 2005. This is as a result of the reduction in the stock of maturing treasury bills, and

low interest rates resulting from the net repayment of domestic debt recorded in 2005.

124. **Transfers to households**, consisting of **pensions, gratuities**, transfers into the **national health fund** and **social security** contributions by Government on behalf of public servants, collectively amounted to ₵620.0 billion. This compares to a payment amounting to ₵467.0 billion made during the corresponding period in 2005.
125. **The Road Fund and other Petroleum-Related Funds** received a total of ₵378.8 billion, of which the Road Fund received ₵368.9 billion. This shows a 33.9 per cent increase over the outturn for the same period in 2005.
126. The outturn for payments into the **District Assemblies Common Fund (DACF)** amounted to ₵305 billion, indicating an increase of 18.3 per cent over the outturn for the same period in 2005, while transfers into the **Ghana Education Trust Fund (GETFund)** in the year under review amounted to ₵241.2 billion.

Discretionary Payments

127. Mr. Speaker, **total discretionary payments** for the first four months of 2006 amounted to ₵8,873.0 billion.
128. Payments for **wages and salaries** during the period amounted to ₵2,920.0 billion, compared to ₵2,209.1 billion for the same period in 2005. The higher outturn results from the fact that 2006 salary payments started with a higher base than in 2005 due to salary increases effected during the second half of 2005. The outturn, however, is lower than the programmed payment of ₵3,517.5 billion, as the provision for salary increments had not been implemented during the reporting period.
129. **Administration (Item 2)** recorded an amount of ₵859.1 billion, while **Service (Item 3)** registered ₵247.1 billion. These compare with amounts of ₵691 billion and ₵204.5 billion, respectively, for the same period in 2005.
130. **Investment outlays (Item 4)** were ₵1,701.7 billion, made up of ₵370.1 billion from domestic sources, and ₵1,331.6 billion from foreign-financed sources. This compares with a total investment expenditure of ₵2,154.4 billion during the corresponding period in 2005.

131. **HIPC-financed Expenditure** amounted to ₵698.9 billion, compared to ₵549.5 billion expended on HIPC-related projects and programmes during the same period in 2005. The outturn for the HIPC-financed expenditure was higher than the programmed amount of ₵348.3 billion as a result of higher-than-programmed inflows that materialized during the period.

Clearance of Arrears

132. Mr. Speaker, a total amount of ₵ 241.5 billion was cleared during the first four months of the year. This consisted of road arrears of ₵93.6 billion and non-road arrears of ₵147.9 billion.

Poverty Expenditures and Utilisation Of HIPC Funds

Government Spending on Poverty Related Expenditures

133. Mr. Speaker, implementation of the Growth and Poverty Reduction Strategy (GPRS II) 2006-2009 started early in the year with a focus on economic growth that is needed to generate the livelihood opportunities for poverty reduction.
134. Despite the shift in focus of meeting the Millennium Development Goals, it is expected that growth in the economy will enable a faster and fuller implementation of the programmes and activities that will make Ghana achieve those goals.
135. Mr. Speaker, by the end of March 2006, total poverty reduction expenditure and commitments amounted to about ₵1,800 billion representing about 18 per cent of the planned ₵9,881 billion for the year. The discretionary expenditure component of the expenditure so far was largely on human resource development representing about 55 per cent of total poverty expenditure.

Utilisation of HIPC Funds

136. Mr. Speaker, by the end of the first quarter of the year, Government had released about ₵424 billion including ₵19 billion for domestic debt payments, out of the expected total HIPC debt relief of ₵2,277.5 billion for 2006.

137. About ₵407 billion of that amount went to MDAs for the implementation of programmes and projects in the areas of human resource development, private sector development and good governance.
138. Of the amount disbursed so far to MDAs in the quarter, about 62 per cent was spent on human resource development, 32 per cent on private sector development and 6 per cent on good governance.
139. A total amount of about ₵265 billion was released for the implementation of human resource development programmes and projects. Out of this amount, about ₵130 billion was released for the upgrading of 174 senior secondary schools and ₵28 billion as subsidy for the 2006 Basic Education Certificate Examination (BECE). For health related projects, about ₵61 billion was released for the reconstruction and refurbishment of the Komfo Anokye Teaching Hospital, about ₵28 billion and ₵15.73 billion for sanitation improvements and water supply in the districts.
140. Under private sector development, the energy sector benefited from about ₵50 billion for the supply of wooden poles and electrical materials for the implementation of the rural electrification scheme. Other disbursements include about ₵42 billion for the supply of maize and the implementation of other agricultural activities and ₵20 billion for the Private sector and PSI projects for the year.
141. Total disbursements for good economic governance and public safety by the end of the first quarter amounted to ₵24 billion. This was largely for improving public financial management security at the CAGD and the construction of the Ankaful maximum security prison.

Outlook for the rest of 2006

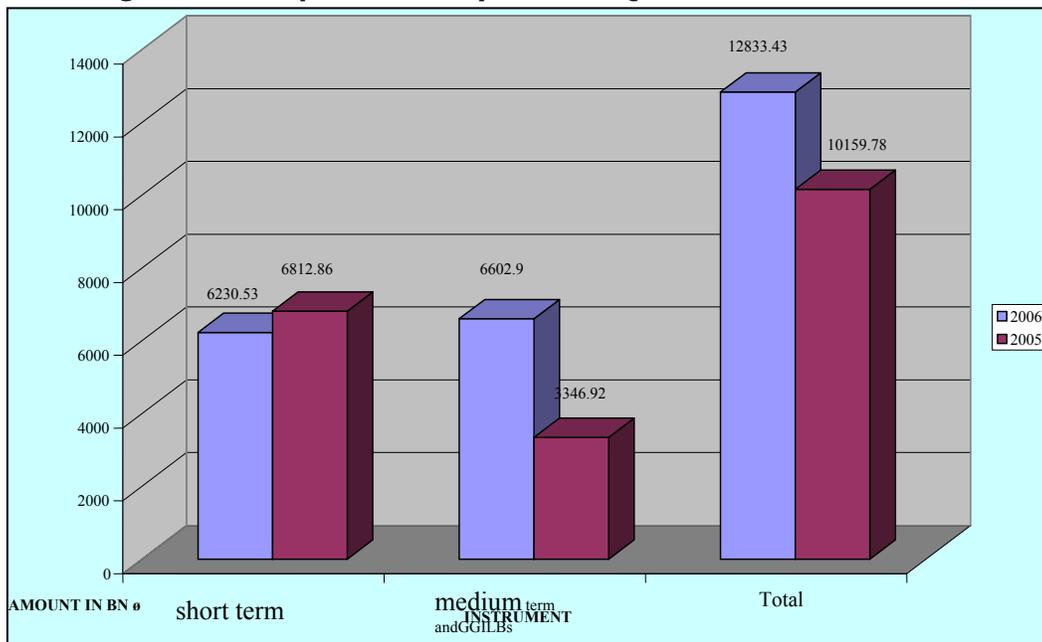
142. Poverty Reduction continues to remain a vital component of the Government's development agenda. In view of this, the original planned poverty expenditure for 2006 was ₵9,881 billion, however as a result of the MDRI, additional expenditures on poverty reduction are anticipated.

Domestic Debt

143. Government's domestic debt stock at the end of the first quarter, 2006 stood at ₵12,833.4 billion, signifying an increase of ₵2,673.7 over same

period (2005) figure of ₱10,159.8 billion. The composition of the debt stock is captured in the figure below.

Figure 14: Comparative Analysis of 1st Quarter Domestic Debt Stock



144. The domestic debt profile continues to shift towards the longer end of the market; the medium term securities increased from 32.9 per cent (2005) to 51.5 per cent (2006), whilst the short term instrument decreased from 67.1 per cent to 48.6 per cent. This phenomenon tends to reduce Government refinancing risk and develop market for medium term government securities.
145. The cumulative year to date change in PSBR (Public Sector Borrowing Requirement) for the first quarter of 2006 stood at ₱2,018.48 billion compared to same period figure of ₱181.66 billion (2005). The additional borrowing was done to augment the low tax revenue and slower than anticipated donor inflows figures recorded during the first quarter of 2006.

146. Government securities continue to benefit from declining rates. The table below shows the change in rates for the first quarter, 2006.

Table 2: Change in Rates of Government Securities

INSTRUMENTS	JANUARY (06)	MARCH (06)	CHG (%)
91 DAY BILL	11.38%	9.82%	1.56%
182 DAY BILL	12.74%	11.14%	1.60%
1 YEAR NOTE	16.46%	16.08%	0.38%
2 YEAR FLOATING	16.63%	15.00%	1.63%
2 YEAR FIXED	17.00%	16.50%	0.50%
3 YEAR FIXED	17.43%	16.93%	0.50%

147. For end April 2006, the cumulative year to date change in PSBR was ₺2,018.5 billion, representing an increase of ₺389.5 billion over first quarter's results.
148. Interest rates continued with their downward trend, the 91-day Bill and 182-day Bill each lost 16 basis points whilst the 1 Year Note lost 49 basis points to 9.7 per cent, 11.0 per cent and 15.6 per cent respectively. The longer-dated instruments were not left out of the declining trend as the 2 Year and 3 Year Fixed shed 42 and 30 basis points to 16.1 per cent and 16.6 per cent respectively. With the exception of the 2-Year Floating rate which still stayed at the 15.0 per cent rate.

Monetary Developments

149. Mr. Speaker, developments during the first four months of 2006 show a rise in monetary growth even though it remained below growth rates in the same period of 2005. Broad money supply (M2+) grew by 21.9 per cent on a year on year basis at the end of April 2006. During the corresponding period of 2005, broad money (M2+) rose by 25.4 per cent.
150. The annual growth in deposit money bank credit slowed down to 36.9 per cent at the end of April 2006 compared to 43.0 per cent in the same period 2005. A sectoral analysis of the stock of outstanding credit showed that Commerce and Finance accounted for the largest share of 24.0 per cent (₺4,936.9 billion) followed by manufacturing with 20.0 per cent (₺3,923.1 billion) and Services 17.0 per cent (₺ 3,378.7 billion)

External Sector Developments

151. Provisional estimates of the Balance of Payments (BoP) for the first quarter of 2006 indicated an overall balance of payments surplus of US\$304.7 million, which compares favourably with a surplus of US\$280.1 million in the last quarter of 2005. During the corresponding quarter of 2005 the BOP registered a deficit of US\$154.8 million.
152. The favorable development in the review quarter was largely on account of significant improvement in the current account as the capital and financial account registered a deficit. The current account recorded a surplus of US\$ 393.7 million driven mainly by current (unrequited) transfers, which improved by over 100 per cent to US\$913.8 million mostly because of a US\$381 million official grant under the Multi-Donor Relief Initiative (MDRI).
153. The Capital and Financial account registered a deficit of US\$99.6 million in the quarter under review, thus worsening by US\$48.5 million from a deficit of US\$51.1 million in the same quarter of 2005. The deterioration in the capital account is attributed to the decline on short-term capital which recorded a deficit of ₵339.5 million. Gross International Reserves at the end of the review period stood at US\$1,854.6, enough to cover 3.4 months of imports of goods and services.

Financial Market Developments

154. The Stock market at the beginning of the year appeared to be recovering as market numbers keep improving, driven by the optimism associated with new IPOs by Ecobank Ghana Ltd, and Governments intention to offload its interest in TOR, SIC, Ghana Telecom Westel etc on the Ghana Stock exchange. The volume of shares traded went up, as was the GSE All-share index, which continued to edge upwards albeit at a slower pace. Market capitalization went up by 3.4 per cent (₵3,161.0 billion) during the review month to close at ₵95,588.8 billion largely on the back of share price appreciations and new listings on the exchange.

Developments in External Assistance Management

External Debt Stock

155. By the close of 2005, Ghana's medium and long-term external debt stock including debt owed to the IMF stood at US\$ 6,347.9 million. This

debt includes government, government guarantee debts and non-guaranteed debt owed by institutions that government has more than 50 per cent shares. By end of April 2006, the stock is estimated at **US\$ 5,980.7 million**. The table below presents the distribution by creditor category.

Table 3: Debt Stock by Creditor Categorization in US\$M (April, 2006)

Multilaterals	5,195.7
Bilateral	523.7
Commercial	261.3
Total	5,980.7

156. The debt stock is expected to reduce significantly after application of the MDRI relief from the World Bank and the African Development Bank.

New Financing Commitment

157. Regarding new financing, eight loans including mixed credit facilities have been signed up to end April 2006. These are from the World Bank, IFAD, Fortis and ING banks of the Netherlands and Commerzbank of Belgium. The total committed loan amount of US\$143.8million was contracted for the water, transport, and health sectors, as well as support for Small and Medium-scale Enterprises (SMEs).

GRANTS

158. Fifteen grant agreements were also signed by end April 2006. A total grant amount of US\$ 363.7 million was acquired to support the water and sanitation health, roads, agriculture, technical support services and for budgetary support.

Disbursement Inflows

159. Total external project inflows at the end of April 2006 amounted to US\$119.8 million. The amount is made up of loan inflows of US\$68.4 million and US\$51.4 million for grants. Disbursing creditors/donors have been the World Bank (IDA), Agence Française de Développement (AFD), the Netherlands' ING and Fortis Bank, OPEC, BADEA, the United Kingdom, Germany (KFW) and the European Union.

External Debt Service Payments

160. Actual debt service payment at end April 2006 amounted to US\$45.95 million. The figure represents US\$30.82 million payment to cover principal amounts and US\$15.04 million for interest and other charges.

Debt Relief

161. The HIPC receipts account recorded a total of €652.47 billion coming from the World Bank, African Development Bank Group, IFAD, European Union and bilateral creditors.

Multilateral Debt Relief Initiative (MDRI)

162. As one of the 18 Post-Completion Point countries eligible for the Multilateral Debt Relief Initiative (MDRI) in 2005, Ghana has benefited from an irrevocable debt cancellation of outstanding obligations to the IMF, World Bank and African Development Fund. Ghana is expected under the Initiative to receive a total debt relief package of about US\$4 billion. The relief will be used to augment the current level of public investment to accelerate the achievement of the Millennium Development Goals (MDGs), and thereby reducing poverty.
163. Based on a cut-off date of December 2004, IMF has provided a total debt cancellation of US\$381 million which became effective January 2006.
164. The Board of Directors of the World Bank on March 28, 2006, also approved US\$ 37 billion, as their contribution to the relief package under MDRI for the 18 HIPC Post Completion Point countries. Ghana is expected to receive a total of about US\$2.89 billion from the Bank. The estimated amount was based on a cut-off date of 31 December 2003 with an implementation date effective July 1, 2006.
165. Following the meeting of their Board of Directors on April 19 2006, the African Development Bank Group also approved their contribution to the relief package under the MDRI. Ghana is expected to receive about US\$480 million, based on a cut-off date of 31 December 2004 with an implementation date effective January 1, 2006.
166. The table below shows the projection of MDRI funds from 2006 to 2009 (US\$MIL)

Table 4: MDRI Projections in million US \$ (2006-2009)

Multilateral institution	2006	2007	2008	2009
ADB group	5.7	5.9	6.0	6.3
IDA	23.8	49.3	52.5	55.9
IMF	200.0	116.0	-	-

External Assistance Policy and Strategy

167. Government will continue to pursue its 2006 policies and strategies for external assistance management. Further, in our quest to maintain long term debt sustainability, government will continue to pursue effective and efficient debt management coupled with optimal risk management strategy.

Onlent Debt

168. Following the setting up of a Debt Recovery Committee (DRC) at the Ministry of Finance and Economic Planning in 2005 to facilitate the recovery of all outstanding debt owed to Government, a Debt Recovery Exercise has started in March 2006. With the assistance of some contracted Professional Debt Collecting Agencies (DCAs), the first phase of allocations has been made for recovery.
169. The exercise which is planned to span over a period of 18 months, would attempt to recover all debt after which legal action may be required against recalcitrant debtors to force them to honour their repayment obligations.

2006 for Outlook

170. Government is to recover a total of **₪176.0 billion** from on-lent government guaranteed loans from State Owned Enterprises (SOEs), Parastatal and Private Enterprise.
171. In achieving the above target, Government is committed to improving capacity at the Aid and Debt Management Unit (ADMU) to meet the challenging requirements in the management and administration of on-lending and Government Guaranteed loans.

Section 6: Review of Budget Performance

172. Mr. Speaker, the Growth and Poverty Reduction Strategy II (GPRS II) which is the new development framework, forms the basis for the policies, programmes and activities of all MDAs.
173. Mr. Speaker, the goal of the strategy is to achieve accelerated and sustained shared growth, poverty reduction, promotion of gender equity and empowerment of the vulnerable and excluded within a decentralized democratic environment.
174. To achieve this goal, the focus of government development policy is now hinged on the following three pillars:
- Private Sector Development;
 - Human Resource Development; and
 - Good Governance and Civic responsibility.

PRIVATE SECTOR DEVELOPMENT

175. Mr. Speaker, the government's medium term growth objectives under Private sector competitiveness is aimed at achieving accelerated growth through modernised agriculture. This would be achieved by creating the enabling environment for the Private Sector to grow, generate employment and increase income.
176. GPRS II identified that growth and poverty reduction will be strengthened by improving Ghana's access to global and regional markets; improving the institutional and legal bottlenecks and supporting the adoption of technological innovation and entrepreneurship.
177. Thus, the Private Sector would be provided with the appropriate incentives to spearhead the growth agenda. This could be done through the various MDAs whose direct activities have significant impact on the activities of the private sector. These are as follows:

ECONOMIC SECTOR

- Ministry of Food and Agriculture;
- Ministry of Fisheries;
- Ministry of Lands, Forestry and Mines;
- Ministry of Energy;

- Ministry of Trade, Industry, Private Sector Development and PSI; and
- Ministry of Tourism and Diasporan Relations.

INFRASTRUCTURE SECTOR

- Ministry of Transportation;
- Ministry of Harbours and Railways;
- Ministry of Communication;
- Ministry of Water Resources, Works and Housing; and
- Ministry of Aviation.

MINISTRY OF FOOD AND AGRICULTURE

178. Mr. Speaker, the private sector led growth is being spearheaded by the Agricultural Sector. This is intended to promote rural development through modernized agricultural practices.
179. To ensure that Agricultural sector plays a vital role in the growth and poverty reduction agenda of the country, a three-year rolling strategic plan covering 2006-2008 has been developed from the Food and Agricultural Sector Development Policy (FASDEP). Implementation of the plan is expected to facilitate the economic transformation of the agricultural sector.
180. One of the strategies for modernizing agriculture is to promote agricultural mechanization. In line with this, government imported and assembled the first consignment of 200 Indian Farmtrack tractors that were offered for sale in 2005. A second consignment of 400 knocked-down tractors have been delivered this year out of which 321 have been assembled and distributed. The remaining 79 are being cleared from Tema Harbour for assembly and distribution.
181. Mr. Speaker, to ensure that farmers throughout the country have access to timely mechanized services, the Ministry of Local Government Rural Development and Environment was allocated 210 tractors out of 321 that were assembled. These were then allocated equally to 70 District Assemblies.
182. Farmers continued with the multiplication of pineapple suckers, maize and rice seeds. Two hundred and sixty-six MT of seed maize and 6 MT of food grain maize have so far been processed this year.
183. A major threat confronting the poultry industry currently is the Avian Influenza. As a national concern, a National Taskforce made up of

representatives from MoFA, MoH, NADMO, MoFEP and development partners has been established. The Taskforce has put in place appropriate mechanism to contain the disease in the unlikely event of an outbreak. Consequently, a ban has been placed on the importation of poultry products from all affected counties and the Government released about 2.5 billion cedis to upscale educational campaign and to procure protective clothing, vehicles, equipment and chemicals in readiness for any eventuality. Leaflets and fliers have been prepared and distributed to the public giving information on symptoms of the disease. The public has also been encouraged to report any noticeable symptoms to the nearest MoFA office.

CROPS

184. Mr. Speaker, specific activities being carried out by MoFA include facilitating the provision of increased quantities of improved seeds and planting materials to ensure increased food production.

CEREAL PRODUCTION

185. Mr. Speaker, under the National Seed Support Services, the Grains and Legumes Development Board (GLDB) cropped 55 ha at its stations including those at Gomoa Lome and Kwamoso in the Central and Eastern Regions respectively for the production of 50mt of maize foundation seed.
186. The Board has also processed and stored 266mt of certified seed maize at its Winneba, Kumasi and Ho Depots. Harvesting of maize fields have started in earnest and the Board is processing the food grains.
187. Under the Inland Valley Rice Development Project (IVRDP) a total of 203 ha of land in valleys and suitable for rice cultivation have been developed manually out of which 145.7 ha. have been cropped. The expected production is 509 metric tons of paddy rice.
188. Similarly, under the Nerica Rice Dissemination Project, a total of 1,335 farmers have been mobilized to produce 11,690 metric tons of paddy rice. The African Development Bank has given approval to advertise for the award of contract for the procurement of 3 rice mills.

189. Mr. Speaker, between January and June this year, the Irrigation Company of Upper Region (ICOUR) facilitated the production of the following crops among others:

○ Rice Seed	-	200 tons
○ Paddy Rice Grains	-	1,800 tons
○ Soybean Seed	-	34 tons
○ Tomato	-	2,300 tons
○ Onion	-	220 tons

190. MoFA is currently rehabilitating a total of 4 structures at Yendi and Tamale to be used for grain storage.

191. Funds have also been released to the Ghana Cotton Company for the procurement of cotton seeds and land preparation. The total area to be cropped is 10,000 hectares.

192. The GLDB has cropped 50 ha of soybean for the production of 35 metric tons of soy foundation seed.

193. Groundnut production is currently on the increase. As a result, the demand for seed has shot up. To ensure that farmers have access to viable and high yielding seeds, the Board is producing 35mt. Groundnut foundation seed.

194. The Cashew Development Project has assisted farmers in the 10 participating Districts to establish 4000 hectares of cashew. Stumping has also commenced in earnest to be followed by grafting of 100,000 low yielding cashew trees. The idea is to enable the Project undertake canopy substitution to increase yields of low yielding trees. A total of 100 hectares will be covered nationwide.

Roots and Tubers

195. Mr. Speaker, a total of 3,500 yam mounds have been established at Mampong and Wenchi Agricultural Stations. The yams are being milked and a total of about 21,000 seed yams will produced. These will then be distributed to farmers for multiplication into about 250,000 yam minisetts for planting on their fields.

Horticultural Industry

196. To facilitate the export of horticultural products, Shed 9 at the Tema Harbour is being rehabilitated. Cold storage facilities will also be provided to enhance the export quality of produce.
197. To further resuscitate the horticultural industry, the GLDB has raised 14,000 seedlings of improved citrus varieties to be supplemented by production from private nursery, operators in areas with comparative advantage in citrus production.

Pineapple

198. Mr. Speaker, to increase the export market share of pineapple, the Ministry has sourced and distributed 1.8 MD₂ pineapple varieties to small holders through a collaborative rapid sucker multiplication scheme.

Plant Protection

199. The Ministry through the Plant Protection and Regulatory Services Directorate (PPRSD) has organized workshops and series of meetings to create awareness and guidelines for International Standards for Phytosanitary Measures 15 (ISPM No. 15) a treatment of wood processing measures (WPM) to eliminate or kill wood pests. Five (5) qualified institutions have also been issued with ISPM No. 15 logo stamps to facilitate export of their produce.

Irrigation

200. Nine irrigation schemes fairly distributed over the country are being rehabilitated. The rehabilitation will be completed before the end of the year and the schemes include those located at Bontanga, Sata, Afife, Subinja, Kpando Torkor, Akumadan and Weiya. On completion the irrigable land under irrigation would have increased.
201. A total of 32 small-scale dams are being rehabilitated under LACOSREP in the Upper East Region to help increase food crop production.
202. Relevant documents have been forwarded to the Central Procurement Board for approval for the procurement of 20 tractor-mounted drilling rigs to enhance the exploitation of ground water for irrigation.

Livestock Sub-sector

203. The Livestock Development Project which is being implemented by the Ministry is establishing 200 fodder banks to ensure the availability of fodder for livestock. Additionally, the project is constructing a total of 28 boreholes in the Northern, Upper East, Upper West, Ashanti and Greater Accra Regions to enable participating communities have access to potable water.

Animal Health

204. Mr. Speaker, to provide an efficient and reliable animal health service the Veterinary Services Directorate organized 3 training sessions for a total 3,500 farmers in 35 Districts. The farmers were trained to recognize, prevent and control the following scheduled diseases:

- Pestes des petite ruminants (PPR)
- Contagions Bovine Pleuropneumonia (CBPP)
- New Castle Disease (ND)
- Rabies
- African Swine Fever (ASF) Foot and Mouth Disease (FMD)

205. To control NewCastle Disease which contributes significantly to rural poultry mortality, 140,000 fowls were vaccinated. In addition, about 45,000 sheep and goats were vaccinated against pestes des petite ruminants which is one of the major causes of mortality in sheep and goats. Due to the demand by hatcheries for vaccine for the control of mortality in day-old chicks, 3,000,000 doses of Mareks vaccines have been procured for the control of Mareks Disease.

Improved Services Delivery

206. Mr. Speaker, to strengthen human and other resources particularly at the District and Regional levels and improve service delivery, there is an on-going re-structuring exercise to release more experienced professionals from the National Directorates to the Districts and Regions.
207. To improve on the current Agricultural Extension Agent and farmer ratio, 215 Agricultural Extension Agents and 35 Assistant Agricultural Officers have been recruited and posted to the districts.

Cross Cutting Issues

208. MoFA is providing pro-poor interventions to vulnerable and excluded farmers in the 20 poorest districts (2 from each district) on a pilot basis. These interventions cover both crops and livestock subsectors.
209. A total of 105 Farmer-Based Organisations in 20 pilot districts are being strengthened to enable them access business development services. Some of the districts that have been assisted to obtain grants include the following:
- Zabzugu Tatale and East Mamprusi (NR),
 - Jirapa Lambussie (UWR);
 - Bawku East (UER);
 - Assin North, (CR);
 - Mpohor Wassa East (WR),
 - Damgbe East and Tema (G/AR);
 - Hohoe (VR);
 - Suhum Kraboa Coaltar (ER); and
 - Jaman South (B/AR)

MINISTRY OF FISHERIES

210. Mr. Speaker, the Ministry's agenda is to promote a sustainable and thriving fishing industry. This will be done through the revamping of the industry to increase its export potential, growth rate and create employment in order to ensure that the negative growth recorded in 2005 can be reversed.
211. Mr. Speaker, as a consequence, the Ministry intimated that it will undertake the following activities:
- Commence Feasibility studies for the improvement of selected fish landing sites;
 - Ensure that fishermen have unadulterated fuel at the approved price and at the right time by June 2006;
 - Monitor, Control and Surveillance (MCS) was intensified to ensure responsible fishing in the marine and inland waters; and
 - Begin Developing Fisheries Policy and Management plans among others.
212. Mr. Speaker, I am happy to announce that, the Ministry has undertaken the following activities:

- Selected a consultant and inaugurated a committee to review the fisheries policy to serve as basis for the regulation and boosting of fish production in the country;
- A draft fisheries regulation to streamline and bring sanity and uniformity into the fishing industry has been submitted to the Attorney General's Department for the appropriate legislation to be enacted;
- Observer Missions to monitor operations of industrial vessels were installed with transponders to monitor operations of Ghanaian registered vessels at sea;
- A total of two hundred out board motors were distributed to fishermen under the "work and pay system" to encourage fishing in the country. An additional 20 boats were sold outright;
- 280 vessels comprising Trawlers, Tuna Vessels, Shrimpers, Carriers and semi Industrial Vessels which were operating in the country were inspected for sea worthiness and possession of the necessary documents;
- 250 people were selected from all Districts in the country to participate in a series of trainer's workshops organized by the Ministry. In addition, fish farmers were trained in fingerling production, pond management, feed formulation and post harvest handling of fish to increase their production; and
- The Ministry through the Rural Banks advanced micro-credit support to 2010 fishmongers to enhance the processing, distribution and marketing of fishing in our localities.

MINISTRY OF TOURISM AND DIASPORAN RELATIONS

213. Mr. Speaker, the Ministry of Tourism and Diasporan Relations is expected to make Ghana a competitive and quality tourists destination. To this end, the activities of the Ministry in 2006 is expected to increase tourist arrivals from 760,000 in 2005 to 880,000 in 2006 and thereby increase receipts from US \$ 1.0 billion in 2005 to US\$ 1.2 billion in 2006.
214. This was expected to be achieved through the following activities:

- Review its policies and legislation to create the enabling environment for capacity improvement in public and private sectors and to direct the expected private sector led growth in tourism;
 - Accelerate integrated community-based tourism development and promotion;
 - Complete the construction of the remaining 11 receptive facilities located in the Volta, Upper West, Northern, Ashanti and Eastern Regions; and
 - Capitalize on the three icons that identify Ghana by the establishment of gold, cocoa and kente trails among others.
215. To this end the Ministry has undertaken the following programmes and activities within the first half of 2006;
216. Mr. Speaker, the Joseph Project which is a strategic project aimed at making Ghana the gateway to the homeland for Africans in the Diaspora has begun in earnest. Through the project, the Ministry hopes to attract over 40 million Africans in the Diaspora to visit Ghana and the continent at least once in their life time.
217. To this end delegations led by the Hon. Minister visited the US, Jamaica, and Bermuda in January 2006 while another delegation led by the Deputy Minister visited Cameroon, Nigeria and Angola in February to sell the idea and vision of the project. Chiefs and the Parliamentary Select Committee on Trade, Tourism and Diasporan Relations are actively engaged on the vision of the project to ensure a successful launch in 2007.

MINISTRY OF TRADE, INDUSTRY PRIVATE SECTOR DEVELOPMENT AND PSI

218. Mr. Speaker, one of the critical support services to the GPRS II is the pillar of private sector competitiveness which is built on the Ministry's programme to facilitate the development of commercially viable domestic and export market-oriented enterprises, especially in the rural areas.

President's Special Initiative

219. Mr. Speaker, under the Ministry's agenda to introduce high starch content and early maturing planting material for the cassava industry,

Six (6) new varieties have been identified and work has commenced on the multiplication of the new varieties.

220. Mr. Speaker, under the PSI for Garment and Textile, the strategy is to develop production and human capacity to address the problem of peri-urban poverty. The programme to implement this strategy has succeeded in establishing technology training centers which trains between 300- 400 machine operators each month. The programme has also been able to entice the establishment of foreign large scale suppliers to replace production facilities in Ghana.

MINISTRY OF ENERGY

221. Mr. Speaker, the GPRS II has identified the improvement in infrastructure in energy as the bedrock for propelling private sector development. Consequently, the Ministry aims at developing efficient, reliable and affordable energy systems to boost industrial growth and production.
222. Mr. Speaker, for 2006, the Ministry of Energy programmed to undertake a number of activities to enable it achieve its objectives. To date the following activities have been undertaken:

Self-Help Electrification Programme (SHEP);

223. Mr. Speaker, under the third phase of the Self-Help Electrification Programme (SHEP3- Phase-3 Project), 127 communities, representing communities mostly in the three northern regions, are to be hooked to the national electricity grid this year. By the end of the 2nd quarter, 31 communities had been fully completed. Installation works in the remaining communities are about 70 per cent complete.
224. For SHEP-4 Phase-1, 166 communities were earmarked for completion in 2006. 46 communities were connected to the national grid by the end of the 2nd quarter, 2006. Installation works in the remaining communities are about 75 per cent complete.
225. Under other electrification projects, 130 communities were earmarked for connection to the grid for the year 2006. 54 communities were hooked to the grid by the end of the 2nd quarter.

Bui Hydroelectric Project;

226. Mr. Speaker, the Government has set up the Bui Development Committee under the Ministry of Energy to oversee the development phase of the project.
227. The Environmental Impact Assessment (EIA) study is in progress and expected to be completed in August 2006.
228. Mr. Speaker, the Chinese Government has expressed interest in funding the implementation of the project currently estimated at US\$ 600 million. It is proposed to fund the cost of the project through Government to Government arrangement between the Government of Ghana and the Government of China. The two Governments are currently negotiating the terms of the financing arrangements. This is expected to be concluded by the end of the year 2006.

Osagyefo Power Barge;

229. Mr. Speaker, I wish to comment on the status of the power barge as follows:
- Closure of the entry channel into the pond and the removal of the breakwater jetty have been completed.
 - Final inspection of the on-site work and takeover of the barge by VRA and MoE has been completed.
 - A stakeholder committee comprising representatives from the MoE, GNPC and VRA has submitted a strategy paper for relocating the barge to Tema. The committee estimated that it would take about nine months to relocate the barge to Tema at the cost of approximately US\$50m.
 - The Ministry has received a “preliminary pre-feasibility study report” from VRA on the relocation of the barge to Tema. The options given in the report are location of the unit in the Tema Creek or the dismantling and location on land near the VRA New Tema Substation.
230. Mr. Speaker, to make Ghana an attractive destination for investments in hydro carbon exploration, the Ministry of Energy in conjunction with GNPC and other stakeholders has reviewed the fiscal and regulatory framework for petroleum exploration and production business in Ghana. Cabinet has taken note of the revision and is yet to be sent to Parliament for ratification.

231. Mr. Speaker, following the completion of work-over program at Saltpond field, the daily production has increased to 700bbl. The Minister has approved amendments to Devon Energy's Petroleum Agreement (PA). Minor changes have been made in the exploration period and financial package. Cabinet and Parliament are yet to approve the amendments. Heliconia Energy has already formed the Joint Management Committee to undertake the exploration programme. It has selected a company on tender to acquire seismic data, and is currently reprocessing existing data and doing other geological surveys.
232. Mr. Speaker, the Parliamentary select committee on Energy has met on GASOP Oil agreement. Cabinet has approved Amerada Hess PA for exploration and development of Deep water Tano/West Cape Three Sites. Two agreements involving Tullow Oil Ghana Ltd, Sabre Oil and Gas Ltd and Kosmos Energy Ghana Ltd. for exploration, development and production in the shallow and deep waters of West Tano have also been approved by Cabinet. All the three PAs have since been laid in Parliament for ratification.

West African Gas Pipeline (WAGP)

233. **Mr. Speaker, the following significant achievements have been made in West African Gas Pipeline during the period under review:**
- The laying of the entire high-pressure pipeline is about 99.3 per cent complete;
 - Tema and Takoradi's laterals are 91.9 per cent and 99.4 per cent complete respectively;
 - Shore crossings in Lome and Cotonou have been completed.
 - Construction of the Regulatory and Metering stations at Tema and Takoradi is yet to start; and
 - MoFEP is leading an effort to replace the existing short-term financing of Ghana's US\$96 million equity with long-term financing.

The WAGP Secondary Gas Market

234. Mr. Speaker, the following activities have been undertaken so far in a roadmap leading to the development of the Secondary Gas Market in Ghana:
- Draft Policy Paper for the development of the secondary gas market in Ghana and implementation strategies is ready for Cabinet consideration;

- Energy Commission has submitted a draft Standards of Performance and Rules of Practice, Licensing Regulations and the Health and Safety Rules for gas transportation; and
- PURC has submitted Tariff Methodology Principles and is working on the detailed tariff framework.

Phase II Project Of Rural Kerosene Distribution Improvement Programme (RKDIP)

235. Mr. Speaker, fabrication of 1,500 surface tanks and accessories has been completed out of which 1,078 have been distributed through the District Assemblies.

Single Buoy Mooring (SBM) And Conventional Buoy Mooring (CBM) Project At Offshore Tema

236. The Single Buoy Mooring (SBM) and Conventional Buoy Mooring (CBM) have been installed at offshore Tema. The 36" and 18" offshore pipelines have been laid. Works within the Tema Oil Refinery (TOR) premises (that is laying and tie-in of 36" and 18" pipelines) have been completed. The entire project was completed in Nov. 2005.
237. The system has been under test-run since February 2006 with products (crude and finished products). An appropriate date for commissioning of the facility will be communicated to the Presidency for approval.
238. The Buipe-Bolgatanga Petroleum Products Pipeline (B2p3) Project was completed on 7th October 2005 and handed over to the government under the management of BOST. Take over certificate was signed on October 9, 2005. The commissioning of the project is expected to take place by the end of September, 2006.
239. The Kumasi Bost Depot Expansion Project was completed and commissioned and 18,000 m³ tank capacity have been provided. The Accra-Plains depot (APD) expansion is completed and will be ready to receive products by Sept/Oct 2006. The Project will provide additional 80, 000 m³ tank capacity.
240. Work on Buipe and Bolgatanga depots expansion for additional capacities of 30, 000 m³ each is on-going.

241. Mr. Speaker, ten product tenders were organized by National Petroleum Authority (NPA) comprising 3 Gasoline, 3 gas oil and 4 LPG cargoes. The Authority monitored TOR operations and together determined the short fall of products to be imported.
242. Importation of refined petroleum products was done by the private sector through International Competitive Bidding process and it is on going.

MINISTRY OF TRANSPORTATION

243. Mr. Speaker, the thrust of the Ministry's 2006 Budget is to continue with the various policy reforms as well as the completion of a number of projects already started. This is in line with the GPRS II objectives of integrating rural economies with the urban economies, lower transport costs through the provision of safe and reliable road infrastructure.
244. Mr. Speaker, work on the various policy reforms are in progress and the status of performance is highlighted below:
- Under the Institutional Reform Study of the Transport Sector, Phase 2 of the assignment which includes the development of institutions and organizations needed for the road sub-sector is on-going;
 - With regard to the National Transport Policy, the final Green Paper has been prepared. Consequently regional Consultative Workshops has been scheduled to take place from July-August 2006; and
 - Studies on the Urban Transport project have been completed and the final report has been accepted. The report will be used in the development of Policy framework for the Urban Transport Project.

Metro Mass Transport

245. Mr. Speaker, as part of Government Policy to improve mass transportation, the last batch of 150 Yaxing buses from China has been delivered. The following regional capitals-Ho, Wa and Bolgatanga now enjoy the services of the Metro Mass Transport. With the extension services to these three regional capitals, the Metro Mass Transport now operates in all the ten regional capitals
246. In my presentation of the Budget to this August house in November, 2005 the Government assured this house that school children will be given free ride on the Metro Mass Transport, this is in progress. As at

February 2006, the service had been patronized by about 100,000 school children free of charge.

Ghana Highway Authority (GHA)

247. Mr. Speaker, highlights of progress of the 2006 trunk road programme are outlined below:

- Routine Maintenance activities have been carried out on a total road length of 1,225.20km as at end March 2006, representing 10 per cent physical achievement of the annual programme.
- Under Periodic and Minor Rehabilitation, physical achievements were 13.1 per cent and 6.3 per cent respectively.
- The following development projects have been completed as at end of second quarter 2006:
 - Abuakwa-Bibiani road;
 - Construction of 6 Bridges;
 - Kasoa- Winneba-Ankamu Road;
 - Bawdie-Asankragua;
 - Wenchi-Sampa Phase 1; and
 - Kpando-Dambai Phase 2.
- Installation of five weighbridges at Tema Port and two weighbridges at Takoradi port is ongoing. Work at the Tema Port is almost completed whilst work at the Takoradi port is expected to be completed in 2006.
- The Ghana Highway Authority has drawn up a programme to undertake road safety audit on the following roads:-
 - Ofankor-Nsawam;
 - Pantang-Mamfe;
 - Tetteh Quarshie-Mallam;
 - Sogakope-Akatsi;
 - Winneba-Yamoransa; and
 - Mallam-Kasoa Road Projects.
- Procurement process on the following new projects has been initiated:-
 - Madina - Pantang;
 - Tetteh Quarshie - Madina;
 - Akatsi-Aflao;

- Akatsi-Akanu;
- Achimota-Ofankor; and
- Techiman-Kintampo Road Projects.

Department of Feeder Roads

248. The Department of Feeder Roads achievements are as follows:
- Routine Maintenance activities carried out between January-March 2006 covered a total of 3,712km;
 - Periodic maintenance activities have been carried out on a total road length of 414 km between January and March 2006; and
 - Spot Improvement and Rehabilitation works have been carried out on a total road lengths of 176km and 180km respectively between January and March 2006;

Department of Urban Roads

249. Routine Maintenance activities have been carried out on a total road length of 379km.
250. Some of the on-going major rehabilitation and reconstruction projects include Kwame Nkrumah Circle – Achimota road, Tema and Sekondi-Takoradi Roads, Asafo Market-UTC Interchange and Tamale town Roads;

Driver and Vehicle Licensing Authority

251. Mr. Speaker, the Driver and Vehicle Licensing Authority achieved the following:
- process for integrating information technology systems into the operation of the DVLA is on-going; and
 - Installation of New Equipment for Vehicle Testing have been completed in Accra, Kumasi and Takoradi;

MINISTRY OF HARBOURS AND RAILWAYS

252. Mr. Speaker, I announced to this house in November of 2005 that the Ministry of Harbours and Railways will accelerate the development of

the nation's ports of Tema and Takoradi, inland water transport systems, the establishment of the Inland Port at Boankra and the revitalization of the railway system to complement the road transport system in the country.

253. To accomplish this objective, the Ministry programmed to undertake a number of activities.

254. To date the Ministry has undertaken the following activities:

- Dredging of Tema and Takoradi Ports to enable them receive larger vessels;
- Introduction of enhanced security network through the setting up of close circuit television network;
- Modern cargo handling equipment namely 40/45 tonner reach stackers/ship to shore cranes, and rubber tyred gantry cranes installed;
- GPHA has ceded 75 per cent of its stevedoring operations and 100 percent of shore handling of conventional cargo to the private sector;
- Through its private sector participation drive, GPHA is fast tracking the process and procedures to become Landlord Port Authority; and
- Supporting the Export Processing Zone and industrial estates by providing facilities for import of raw materials and export of manufactured goods.

MINISTRY OF WATER RESOURCES, WORKS AND HOUSING

255. Mr. Speaker, as was said in the 2006 Budget presented to this house in November, 2005, the Ministry of Water Resources Works and Housing was to concentrate its efforts in the areas of the provision of safe water, the development of infrastructure in housing delivery, drainage works, coastal protection works, operational hydrology and water related sanitation facilities.

256. In the Budget under reference the Ministry outlined a number of activities it intends to undertake. I am happy to announce that the Ministry has chalked some successes in its programme so far with the resources made available to it.
257. Mr. Speaker, in the first half of 2006 Government the Ministry continued to increase access to safe water and sanitation facilities in the rural and urban areas, especially in guinea worm endemic areas and also continued with work towards the provision of decent, social and affordable housing units. Operational hydrology, coastal protection and storm water drainage improvement works were undertaken.

Water

258. Mr. Speaker, Government's commitment towards the achievement of the Millennium Development Goal (MDG) of 78 per cent of water coverage by 2015, and the Ghana Growth and Poverty Reduction Strategy objective of 87 per cent coverage by 2015 remain unflinching.
259. The Ministry has been aggressive in the delivery of water, both in the rural and urban communities.

Rural Water

260. Mr. Speaker, the Ministry acting through the Community Water and Sanitation Agency (CWSA), to implement its 2006 investment programme completed several projects to provide safe water to several rural communities in the country.
261. Mr. Speaker, for the first half of 2006, the CWSA completed 91 boreholes, 5 hand dug wells, 63 household places of convenience and 64 institutional places of convenience. Area mechanics, Hand pump Caretakers and WATSAN Committees have been trained to maintain and operate the rural water systems on a sustainable basis.

Guinea Worm Eradication

262. Mr. Speaker, the Ministry was dismayed by the alleged increase in the number of guinea worm cases reported in the country last year. As a result, the Ministry, in collaboration with the Ministry of Health, moved into the endemic Regions, to ascertain the situation on the ground.
263. Mr. Speaker, in our desire to eradicate the guinea worm disease by 2007, Government is further releasing from HIPC source additional funds, to provide boreholes in guinea worm endemic communities

including Sebi Hills in the Volta, Duccie in the Upper West and guinea worm endemic communities in the Northern Regions.

Urban Water Supply

264. Mr. Speaker, permit me to turn to our efforts towards provision of water in the urban areas:

Adenta Water Supply

265. Mr. Speaker, to be able to improve upon water supply to Adenta and its surrounding areas, a high yielding borehole at Dodowa was mechanized last year, which serves some parts of Adenta.
266. This year, the GWCL Drilling Unit sunk two additional boreholes also at Dodowa to improve upon the present level of water delivery to Adenta and its environs. Adenta in the short term will also benefit from the Accra East-West Interconnection water supply project.

Secured Funds for Urban Water Supply Projects

267. Mr. Speaker, Government has secured external funding for the provision of safe water to the following: - Accra East-West Interconnection, Cape Coast, Barekese in Kumasi, Baifikrom (Mankesim), Koforidua and Tamale.
268. Mr. Speaker, the Ministry will continue to explore all avenues to secure funding for the provision of potable water to the following towns and their surrounding communities. Kasoa, Sekondi/Takoradi, Kwanyakor, Yendi/Damongo, and Wa.
269. Extensions of water supply (main pipe lines) to the following communities were also completed within the half year. They are Anfoega and Worawora in the Volta Region as well as Beposo-Nsuta in the Ashanti Region.

Housing

270. Mr. Speaker, Government is committed to reducing the housing deficit in the country which ranges between 300,000 and 500,000 units. In this vein, a number of initiatives have been put in place which includes:

Affordable Housing

271. Mr. Speaker, to be able to address this housing deficit, Government made an initial provision of ₵150 billion in 2005 Budget from HIPC Sources to begin the construction of safe, decent and affordable housing. Construction of 113 four-storey blocks (courts) containing 1,138 units of flats is currently on-going at Borteyman, Nungua. Modern amenities such as schools, Police Station, playgrounds, open spaces, parking lots, places of worship, recreational and commercial centers to service the neighborhood, are also being provided. This housing estate at Borteyman, Nungua will have its own sewerage treatment system.
272. Government has also allocated additional funds of ₵177 billion to commence the construction of 1,400 and 1,192 safe, decent and affordable housing estates at Kpone, near Tema in the Greater Accra Region and Asokore-Mampong near Kumasi in the Ashanti Region respectively.
273. These units at the three locations when completed will be for sale and rental. It is noted that some people buy or rent flats and sublet them to those who genuinely need accommodation at “cut throat” prices.
274. Mr. Speaker, for this reason, the Government’s affordable housing programme shall be “Owner-occupier”, and a mechanism is currently being developed to ensure that no “middle men” are entertained.
275. We also intend introducing some form of targeted subsidy to assist workers such as Civil Servants, Teachers, Doctors, Nurses, Policemen and women, Military and other security officers to own these flats. The Ministry is already in discussion with some Banks to see how they can support workers with affordable housing mortgages to purchase the flats.

Foreign Investors in Government’s Housing Programme

276. Mr. Speaker, indeed, several investors have shown interest in the delivery of various housing units for Ghanaians, and the Ministry has signed Memoranda of Understanding (MOU) with prospective investors in that regard. Some of the proposals are quite advanced; among them are Agnus Dei Foundation of USA – US\$250 million, Sithru SDN. BHD of Malaysia, which has almost completed the construction of a demonstration unit at Tema, DCL of Luxemburg – US\$120 million, etc.

Land Banks for the National Housing Programme

277. Mr. Speaker, the Ministry has sourced about 50,000 acres of land in Accra, as well as in other Regional and District Capitals, purposely for the Government's National Housing Programme and associated infrastructure development. The objective is to establish a Land Bank System, to facilitate the access to land by developers. The Ministry has concluded negotiations and signed agreements with various land owners to enable the Lands Commission and Land Valuation Board complete the acquisition process.

Sale of Government Low Cost Houses

278. Mr. Speaker, the decision to sell the Government Low Cost Houses built under the 1972 Low Cost Housing Programme to sitting tenants and also raise additional capital to plough back into the National Affordable Housing Programme is on course.
279. Three Consultants are working out the final modalities, technicalities and developing offer letters for the sale of the units.
280. The Ministry is concluding discussions with some financial institutions on how to assist prospective buyers with various housing mortgages, and the response has been encouraging.

WORKS

Flood Control and Coastal Protection

281. Mr. Speaker, to control the hazards of perennial floods, the Ministry this year, acting through the Hydrological Services Department, has received an amount of ₵10 billion to undertake the construction of culverts as well as carry out channel improvement works to alleviate flooding in flood-prone areas in the capital.
282. Work has also commenced for the construction of a sea defence structure at Ngyiresia near Sekondi at a cost of ₵15.00 billion to facilitate the construction of the Inchaban-Sekondi Road.

Keta Sea Defence Resettlement Programme

283. Mr. Speaker, the Keta Sea Defence Resettlement Programme which is made up of the construction of 836 houses of various types is ongoing.

The programme includes the provision of infrastructural facilities like electricity, which is about 90 per cent complete, water supply extension from Keta to resettlement sites, also about 90 per cent complete, and sewerage system which is also about 65 per cent complete. Since its implementation, 180 houses have been completed and as at April 2006 these houses have been allocated and occupied. Presently, there are 262 houses on contract and are at various stages of completion.

Korle Lagoon Ecological Restoration Project (KLERP)

284. Mr. Speaker, work on the key components of the project such as the waste water treatment plant and the new sea outfall pipe is about 95 per cent complete.
285. The final cleaning up of the lower and upper lagoon, the Kaneshie, Odaw, Korle and Agbogbloshie canals, and the removal of the mangrove island, in order to bring the KLERP to a successful completion is scheduled to commence in the third quarter of 2006, during which period a fair sea weather condition is expected to prevail.
286. The Ministry has secured an amount of £18.8 million from the KBC Bank N.V. of Belgium, for the re-dredging of the lagoon, canals and allied works.

Tamale Storm Water Drainage Project (TSWDP)

287. Mr. Speaker, presently, 100 per cent of work on the project covering about 14 kilometres of storm water drains of various sizes in reinforced concrete has been completed to control flooding and improve sanitation in the Tamale Metropolis, with particular reference to the Central Business District and is in the defects liability period which will lapse in August 2006.
288. The next phase of the programme involves the improvement of the terminal sections of the primary drains through regrading, deepening and widening to forestall further flooding of properties within the immediate environs.

HUMAN RESOURCE DEVELOPMENT

289. Mr. Speaker, the Human Resource Development goal under the GPRS II is to ensure the development of a knowledgeable, well-trained and

disciplined labour force with the capacity to drive and sustain private sector led growth. The broad policy areas associated with the Human Resource Development are as follows:

- Promotion of formal education, training and skills development;
- Improved access to health care;
- Malaria control and HIV AIDS prevention and treatment;
- Access to safe water and adequate sanitation; and
- House and slum upgrading and population management.

290. In general, human resource development indicators continue to show an upward trend for most areas, while some health-related ones show a leveling off. In addition, indicators in deprived areas are showing evidence of gaps being closed. Spending on human resource development has increased with deprived areas receiving increasingly higher spending.

291. The Ministries responsible for Human Resource Development are:

- Ministry of Education, Science and Sports;
- Ministry of Health;
- Ministry of Manpower Development, Youth and Employment; and
- Ministry of Women and Children's Affairs.

MINISTRY OF EDUCATION, SCIENCE AND SPORTS

292. Mr. Speaker, the GPRS II identified the Education Sector as a key area in the strategy for the development of human resources of the nation. The education sector continues to record good progress, though Ghana did not achieve the MDG of gender parity for primary and secondary education by 2005. Nevertheless, policy initiatives of the past couple of years, such as the introduction of capitation grants, have contributed to significant increases in both female and male enrolments, but particularly so for girls. As stated in the 2006 Budget, implementation of the Education Strategic Plan continues to be the thrust of activity within the sector.

293. Mr. Speaker, to improve access at the basic level, a multi-faceted enrolment drive is being undertaken. The introduction of Capitation Grants has made a big impact on enrolments as evidenced in the numbers below.

294. Enrolment at the pre-school level increased from 778,159 in 2004/05 to 1,065,963 in the 2005/06 academic year, registering a Gross Enrolment Ratio (GER) of 85.3 per cent and representing a 25 per cent increase. Gender Parity Index (GPI) at this level was 1.03.
295. Enrolment at the primary level was 3.28 million with a total GER of 92.1 per cent. Male GER was 95.3 per cent while that for females was 88.8 per cent. GPI was 0.95 at the primary level. At the Junior Secondary School level, total enrolment was 1.12 million with a total GER of 74.7 per cent, with males registering GER of 76 per cent and females 68.7 per cent. The Gender Parity Index at this level was 0.94.
296. Mr. Speaker, due to the rapid increase in enrolments, there is an urgent need to provide classrooms. The programme to construct 440 classrooms which was started in 2003 has as at date provided 296 classrooms which are in use. The cost of additional classrooms needed as a result is estimated at ₪2.9 trillion.
297. As part of the school feeding programme, 2,482 pupils are being fed daily in the 10 piloted schools. The programme is being expanded to cover a school in each district, with 128 schools that have been identified receiving inputs to start the programme.
298. To improve the quality of teaching and learning in schools, teacher upgrading is being undertaken by the University of Education, Winneba. Enrolment for teachers has been increased from 6,401 in 2004/2005 to 6,889 in 2005/2006. Further, the University of Cape Coast has also enrolled 9,343 teachers for 2005/2006 academic year. The Government has also provided buses for all 38 teacher training colleges.
299. The demand for additional teachers required as a result of expansion in enrolments is 17,612. In addition there are regional disparities in the distribution of teachers. Measures to address this include district sponsorship of teachers. This academic year, a total of 8,989 teachers have been enrolled with 98 per cent of them being sponsored by districts and 45 per cent sponsored by deprived districts in the 3 northern regions. At the primary level, the national Pupil Teacher Ratio (PTR) was 35.7:1 against a target of 34.1:1 while the PTR for deprived districts was 40.2:1 against a target of 35:1.
300. Other measures being pursued to attract teachers to remote areas, include provision of teacher accommodation. Under phase 1 of the

Education for All Fast Track Initiative, work has started on 31 6-unit teacher accommodation and the remaining 22 is yet to be approved.

301. The first phase of the senior secondary school upgrading programme comprising 31 senior secondary schools is 95 per cent complete.
302. As part of Government's policy to emphasize and support the training of Mathematics and Science teachers, some preparatory activities are being undertaken. Chief examiners, Teacher Training College tutors and curriculum experts are completing a review and proposals on new mathematics and science colleges.
303. In support of tertiary education, equipment has been acquired by various institutions i.e. UDS, Bolgatanga, Tamale, Wa and Takoradi polytechnics. Each public university has been provided with a bus to help intra campus transport. Nine buses have also been provided to private universities.
304. In the area of Sports, Ghana is doing very well. The senior national team, the Black Stars performed splendidly at the 2006 World Cup in Germany. Government continues to support the development of sports through such activities as the construction and rehabilitation of stadia at Tamale and Sekondi, Kumasi and Accra to host CAN 2008. Already 35 per cent of the contract fee for the Tamale and Sekondi Stadia has been paid to the contractor.

MINISTRY OF HEALTH

305. Mr. Speaker, the Ministry of Health's objectives are to bridge equity gaps in access to quality health services, ensure sustainable financing arrangements that protect the poor and the vulnerable and enhance efficiency in service delivery. This year, the Ministry continues to intensify efforts to improve access to and efficiency of health services.
306. The priority this year is to improve service delivery. In this regard, activities being undertaken include improving cross sectoral collaboration (such as linking up with education and water), health promotion and protection, increasing resource allocation to scale up priority public health programmes and interventions such as tuberculosis, HIV/AIDS, malaria, guineaworm eradication, the Expanded Programme on Immunisation (EPI), Buruli Ulcer, reproductive and child health, and nutrition.

307. As at the end of the first quarter of 2006, ninety two thousand pregnant women received Intermittent Preventive Treatment (IPT) as part of the scaling up programme to the rest of the country. However, insufficient supplies of Insecticide Treated Nets (ITNs) and retreatment kits remain a challenge.
308. With the reduction in the Health Fund because some major partners' shift of resources to general Budget support, the health sector is experiencing a gap in the funding required to undertake activities in the 2006 Programme of Work (POW). Government is committed to ensuring that progress doesn't get stalled due to lack of resources. As part of transition arrangements, Government has sourced for an amount of US\$15 million to fill the gap. In addition, more resources are also being provided from the Multi Lateral Debt Relief Initiative and HIPC funds to support the 2006 POW.
309. Three areas have been identified as needing priority attention in the 2006 POW – reinforcing commodity security, making sure of 100 per cent availability of vaccines, public health drugs, malaria/ACT, epidemic preparedness – cholera, yellow fever etc. Operational funds are needed for the delivery of these commodities at both central and district levels. The third area of concern is investing in general health systems strengthening – expansion of training institutions (Human resources, information systems, and infrastructure development). Another area requiring funding is the procurement of basic obstetric care equipment.

Human Resources for Health

310. Mr. Speaker, in the light of the Government's intention to increase training in all categories of health staff, the intake into nursing training schools increased by 1,940 by end 2005. Two new schools have been established i.e. SDA Nursing Training School, Kwadaso and a clinical Assistant Training School in Sefwi Wiawso. The deprived area incentive has been instituted as a strategy to ensure staff placement in deprived areas.

HIV/AIDS

311. Mr. Speaker, Ghana continues to give priority to HIV/AIDS and aims to keep prevalence down. The continued focus on HIV/AIDS prevention as a key element of national strategy continues to be significant in the 2006 Budget statement. Given the low costs of prevention relative to treatment it is prudent to pay attention to the prevention of the

pandemic. Programmes for safer sex particularly among the most vulnerable, reducing mother-to-child transmission and promoting voluntary counseling and testing continue to receive attention, as does increasing Anti-Retroviral Treatment (ART) for Persons Living With HIV/AIDS (PLWHAs).

312. About 4,060 out of the recorded 71,000 of PLWHAs who need anti-retroviral treatment are receiving such treatment and there are efforts to ensure that this increases to 15,000 persons by the end of 2006. In support of this, all ten regional hospitals are to begin administration of the therapy to patients to further make accessibility to ARTs easier for PLWHAs. The regional hospitals have all been given the necessary training in addition to the supply of drugs and the Cluster of Differentiation (CD4) equipment for testing and monitoring of patients.
313. In addition to the 10 regional hospitals which will soon start treatment, some selected districts which have higher prevalence rates of the pandemic and are highly populated will be included in the exercise to expand ARTs administration. Anti-retroviral drugs and test trials sufficient to cover a two-year period have been procured. Currently, 175 VCT/PMTCT sites have been established in 89 districts with 4,060 people living with HIV/AIDS. Six operational sites have been established in the Eastern, Greater Accra, Ashanti and Upper East regions.

Malaria

314. Mr. Speaker, GPRS II identifies the control of malaria as part of priority interventions in the health sector. The areas of focus in 2005 were both on curative and on preventive care including improving case management of uncomplicated and severe malaria in all health facilities and household levels; and improving malaria prevention – focusing on promoting the use of Insecticide Treated (bed) Nets (ITNs), especially by children and pregnant women, Intermittent Preventive Treatment (IPT) and advice on environmental management. The national Under-5 malaria fatality case improved from 3.7 per cent in 2002 to 2.4 per cent in 2005. Reports from the 20 Global Fund pilot districts indicate that the share of children under-5 sleeping in ITNs has increased from below 10 per cent in 2002 to about 25 per cent in 2005. Pregnant women sleeping under ITNs have also increased from around 5 per cent in 2002 to about 25 per cent in 2005 in the same pilot districts.

Guinea Worm

315. Mr. Speaker, Government continues to fully subsidise the provision of safe water in guineaworm endemic areas. From January to December 2005, Ghana reported 3,981 cases of guineaworm disease, a 45 percent reduction in cases compared to 7,275 cases for the same period in 2004. However, we continue to face challenges with eradication of guinea worm in Ghana today. Twenty one villages from nine districts reported significant increases during July and December 2005. The number of guinea worm cases reported between January and March 2006 is 1,500. This represents an increase of 5 per cent during the same period in 2005.
316. Eradication of guineaworm disease may be slow without safe water. To address this situation the Ministry of Health through its Guinea Worm Eradication Program is collaborating with the Community Water and Sanitation Agency to provide potable water to endemic villages. Currently, 50 per cent of endemic villages have at least one safe source of water out of target of 60 per cent. Other measures include 100 per cent of villages targeted being under active surveillance, 52 per cent of cases were reported contained and 100 per cent of all eligible villages have full household filter coverage.
317. To continue building capacity, nearly 18,000 volunteers from the top four endemic regions were trained. Other activities undertaken during the first quarter included the holding of the first bi-annual National Review, an inter-agency meeting and the 11th programme managers meeting in Niger. Some of these meetings were used to update and complete volunteer training.

NHIS

318. Mr. Speaker, to ensure accelerated registration to cover 50 per cent of the population by end 2006, the National Health Insurance Council has launched a nation-wide campaign through the end of July 2006 to issue Identity Cards to persons registered but without cards. After the cards backlog is cleared, another programme will be launched by the end of July through the end of the year to register all SSNIT contributors at their places of employment.
319. In the Government's quest to provide access to affordable health care to all citizens, especially for the poor and vulnerable, 123 schemes were operational as at the end of the first quarter. All 138 District

Mutual Health Schemes are expected to be operational by end 2006. Plans are far advanced to create zonal offices to liaise between the District Assemblies and the NHIC Secretariat to enhance efficient and effective management of the district schemes. The NHIS is in the initial stages of a plan to develop a shared technology platform to link all the 138 district schemes by the end of the year to ensure among others, instant issuance of ID cards, effective fraud control, efficient claims administration, portability and cost effective premiums collection.

MINISTRY OF WOMEN AND CHILDREN'S AFFAIRS

320. Mr. Speaker, the Ministry of Women and Children's Affairs (MoWACA) is mandated to promote the development of women and children and integrate policies in these areas into national development processes as indicated in the 2006 Budget statement.
321. As outlined in the work programme of the Ministry in the 2006 Budget statement, the Ministry during the first quarter of the year has been able to provide training to various groups including beneficiaries of micro-credit, food processing techniques and entrepreneurial skills.
322. Mr. Speaker, women's empowerment has received a boost through various sensitization programmes including the launch of the Local Governance Fund, which has also increased the number of women in local governance and the celebration of International Women's Day. In addition, the Ministry has also participated actively in international meetings on women's empowerment and advancement such as the 50th Session of the UN Commission on the Status of Women; Regional meeting of African Education ministers, Donors and Professionals. On Child rights and protection, the Ministry participated in the 41st session of the Committee on the Rights of the Child and a Child Protection partners meeting during the quarter.
323. Mr. Speaker, during the first quarter, a documentary on the situation of the excluded and invisible child was developed. Guidelines were developed for the monitoring and evaluation of the implementation of the Children's Act.

MINISTRY OF MANPOWER YOUTH AND EMPLOYMENT

324. Mr. Speaker, in performing its traditional functions, the Ministry of Manpower, Youth and Employment will be responsible for human capacity development and the facilitation of a healthy environment for employment and social welfare issues.
325. Mr. Speaker, as per the Ministry's programme outlined in the 2006 Budget Statement, the implementation of the National Youth Employment Programme (NYEP) has taken off with national, regional, metropolitan and district officers in place. Sensitization workshops have been held and guidelines on the implementation of the NYEP have been developed.
326. On the issue of training, various training programmes are being conducted to equip the youth with vocational/business and entrepreneurial skills. Three courses have been conducted with 33 participants trained. Nine in-house courses have been developed and conducted with 364 participants trained.
327. 612 youth into vocation/business and entrepreneurship have been enrolled at 3 Opportunity and Industrialization Centres, Ghana (OICG) with 90 youth on attachment after completing training.
328. To develop and implement the National Human Resource and Development Policy and Planning Framework, the following activities were undertaken:
- 284 FOB Managers and Executives were given training in module 4 financial management;
 - 500 disadvantaged youth were equipped with vocational and technical skills for employment; and
 - A group of 531 boys and 617 girls were made to start vocational training.
329. Various forms of medical care have been given to 3,705 disadvantaged people including paupers, psychiatric patients, the aged and the destitute. With the passage of the Disability Bill it is expected that more of these will be addressed.
330. The Department of Social Welfare in collaboration with the National Centre for Micro-Finance and the APEX-ARB Bank have initiated a one billion cedis micro credit scheme for 380 people with disabilities in twenty districts in the ten regions.

GOOD GOVERNANCE

331. Mr. Speaker, you may recall that in the Main 2006 Budget, Government affirmed its commitment to Good Governance and indicated its resolve to empower state and non-state entities to participate in the development process and to collaborate in promoting peace and stability in the body politic in accordance with the GPRS II. I indicated that priority will be given to achieving an efficient and well motivated public sector, improving the institutional, legislative and policy environment, foster civic responsibility and achieving gender sensitivity among others.
332. Mr. Speaker, under Good Governance all MDAs have made progress in the achievement of these priorities. However, for the purpose of this Budget, I will focus on the following:
- Ministry of Finance and Economic Planning
 - Ministry of Local Government, Rural Development and Environment
 - Ministry of Foreign Affairs, Regional integration and NEPAD
 - Ministry of Interior
 - Ministry of Defence
 - Ministry of Justice and Attorney-General's Department
 - Office of Parliament
 - Judicial Service
 - Government Machinery
 - Electoral Commission
 - Audit Service
 - National Development Planning Commission

Ministry of Finance and Economic Planning

333. Mr. Speaker, the Ministry of Finance and Economic Planning exists to ensure macro-economic stability for the promotion of sustainable economic growth and development of Ghana and her people. With the focus on growth under the new Growth Poverty Reduction Strategy (GPRSII), the Ministry has re-oriented its strategy in line with the GPRS II objectives and continued with the implementation of policies that will enhance and sustain the gains made in managing the economy under GPRS I. In this regard, the Ministry adopted a number of new strategies, initiated new policies and executed activities to ensure the achievement of the GPRS II objectives.

334. For 2006 the Ministry through effective resource mobilization from both internal and external sources, ensured improved financial management of the country's resources and implemented the blueprint for financial sector deregulation to support a more vibrant and responsive financial sector. Mr. Speaker I am pleased to report that a lot of progress has been made toward achieving the goal we set for ourselves.

Fiscal Policy Management

335. Mr. Speaker, as part of efforts to improve the Ministry's capacity for policy analysis, the tax policy unit and wage policy unit have been established and recruitment is underway to make them operational. The Planning Division has also become operational to ensure the linkages between the GPRS II and the budgets of MDAs.

External Resource Mobilisation and Management

336. On external resources mobilization, the broad objective was to make the process more efficient and predictable. We indicated that a comprehensive aid policy would be developed. The process has started and it is expected that a draft policy would be completed by the end of the year.
337. As regards the efforts towards efficient aid mobilization and harmonization, the Multi Donor Budget Support mechanism has been mainstreamed within the Ministry with the appointment of a substantive Director. The Ministry has successfully gone through the assessment of the MDBS triggers and targets and has almost completed negotiations for the 2006/2007 Policy assessment Framework with all our development partners.
338. Negotiations with the World Bank were also successfully completed during the period under review. Additionally, the Ministry hosted a number of missions from the IMF and the World Bank and took an assessment of the Public Financial Management System using the newly introduced Public Expenditure Framework Assessment (PEFA). Even though the report was satisfactory there still are a number of challenges and the Ministry is resolved to implement measures to address them.

Public Information

339. On efforts to address the paucity of information on the economy and the workings of the Ministry, a number of activities have been undertaken. These include numerous media encounters and dialogue with different segments of the society. Indeed after the Budget was read all the Ministers went round the country to disseminate the statement to regional and district officers. The Ministry's website is now operational and all the relevant documents are placed on the site. Mr. Speaker I wish to encourage all Honourable members to visit the site for all relevant information. The address is www.mofep.gov.gh.

Public Financial Management

Treasury Management

340. Mr. Speaker, in line with the Financial Administration Act (FAA), the Controller and Accountant General's Department (CAGD) has embarked on the process to integrate all treasuries into their respective MDAs at the headquarters level, the ten RCCs and into all the 138 MMDAs. This falls in line with the new concept of integrated financial management. This will also ensure that payments and other financial transactions are handled and managed by the individual MDAs, RCCs and MMDAs on a daily basis.

Bank Accounts Restructuring

341. The CAGD has completed the review and restructuring of the existing Consolidated Fund Accounts. New Consolidated Fund Sub-Bank accounts have been created for all the new treasuries into which departmental allocations of all MDAs, RCCs and MMDAs will be lodged. The aim of this process is to facilitate fiscal decentralization.
342. The new treasuries will merge with the accounts/finance departments of MDAs, RCCs and MMDAs to perform the treasury functions at ministries, regional administration and the district administrations.
343. Each Ministry now has one Consolidated Fund sub-account (Special Bank Account) which will serve the ministry, departments and agencies at the national level.
344. One Consolidated Fund sub-accounts (Special Bank Account) have been created for each of the ten Regional Co-ordinating Councils to serve the Regional Administration and all Departments, Agencies and Institutions at the regional level.

345. Additionally, another 138 Consolidated Fund sub-accounts (Special Bank Account) have been created for each Metropolitan, Municipal and District Assembly to serve the assemblies and all district level Departments and Agencies. These sub consolidated fund bank accounts have been opened at the Bank of Ghana regional branches or its agent banks in the districts.
346. Mr. Speaker, it is expected that the operation of the new treasury Sub-Consolidated Fund Bank account will bring to a close the current payment system which is burdened with delays as a result of over centralization, a situation that led to undue delays in accessing and disbursing of funds for MDA programmes.

Capacity Building

347. In order to enhance the efficiency of the delivery of services by CAGD, the Department has since January 2006 embarked upon skill training for its staff, senior management of MDAs, RCCs and MMDAs on the new Treasury Realignment system.

BPEMS

348. Significant progress has been made in the area of Government's Integrated Financial Management System for Budget and Public Expenditure Management System during the year. These include:
349. The replacement of the wireless Wide Area Network in 14 sites of the eight (8) pilot MDAs², with fibre optic line. This has eliminated the problems associated with the slow and unstable Wireless Wide Area Network.
350. Application set-up in all the eight pilot MDAs has been completed, including the configuration and customization of the relevant modules (General Ledger, Accounts Payable, Purchase Order, Accounts Receivable, Public Sector Budgeting). Reports required to be generated by both CAGD and MDAs have all been configured on the system. There is however room to define additional reports.
351. Items 1 to 4 of the 2006 Budget were successfully loaded onto the Government's Integrated Financial Management System.

² The Ministries involved are the Ministry of Finance and Economic Planning, Ministry of Health, Ministry of Energy, Minister of Water Resources, Works and Housing, Ministry of Local Government, Rural Development and Environment, Ministry of Communication and Ministry of Transportation

352. The BPEMS servers were successfully relocated from the Interim Data Centre to the Financial Information Centre (FIC) in March 2006.
353. The Support and Maintenance agreement of the Network provider, Siemens ATEA, was signed in March 2006 to resume regular support of the network. Siemens has also reviewed its contract with the Government to further expand the wide area network to the ten (10) regional capitals
354. Sensitization and hands-on training on the BPEMS have started vigorously for all users in the 8 pilot MDAs. For comprehensive reporting using the BPEMS, the Application Desktop Integrator (ADI) Software has been introduced to capture Cash Transcripts on revenue and expenditure transactions for all offline MDAs. Training on the ADI Software for Treasury Officers started April 2006.

IPPD 2

355. In June 2006, the Integrated Personnel and Payroll Database (IPPD2) was for the first time successfully used to pay the salary of the Health Service Sector (HSS) workers following the introduction of a new pay structure. This was after the IPPD2 had been run parallel with IPPD1 from January to May 2006.
356. The CAGD now plans to completely move the government payroll from IPPD1 to IPPD2 between July and September 2006. It is intended that Pensions payment and a few management units, including the Audit Service, Prisons Service, and the Judiciary Service will follow the HSS payroll to the IPPD2 system in July 2006. It is anticipated that by September, the largest management, the Ghana Education Service would have gone live on the IPPD2.

Public Procurement Board

357. In the area of procurement, good progress has been made. The appointments of Board of Directors, the Chief Executive and the senior staff of the Public Procurement Board have been completed. Coverage of Entity Tender Committees is at nearly 100 percent at MDA level and about 50 percent at MMDA level.
358. The PPB has developed a procurement module tool covering 200 entities (the Public Procurement Monitoring and Evaluation Assessment). The tool assesses the compliance of procurement entities to the Public Procurement Act. The tool has been used to successfully

assess 100 public entities and is currently being used within OECD/DAC procurement arena for international acceptance.

359. The PPB has awarded the contract to train all levels of officials in the Public Sector, including Procurement Units, Entity Tender Committees, Suppliers, Contractors and Consultants, Civil Society including Media, Judiciary, Parliament and the Executive.

THE INTERNAL AUDIT UNIT

360. Substantial progress has been made in the area of transparency and accountability in Public Financial Management, especially in the area of auditing. The Internal Audit Agency (IAA) has been fully staffed and is operational. Internal Audit Agency Units have been established and functioning in 23 out of 27 MDAs and in 6 MMDAs.
361. Mr. Speaker, a Director-General has been appointed together with 9 Audit Managers. The IAA has submitted its first Annual Report to Parliament. Draft Internal Audit Regulations, Standards, Audit Programmes and an Internal Audit Manual to guide auditing in MDAs and MMDAs as required under the IAA Act have been prepared and are under review. The establishment of Internal Audit Units as provided in the IAA Act will be completed this year for the remaining MDAs.

Ghana Statistical Service (GSS)

362. Mr. Speaker, one of the objectives of the GPRS is to promote evidence based decision making. Accurate data, we all recognize, is crucial for planning. In that regard the GSS is undertaking a Ghana Living Standards Survey (GLSS-5). The general goal of the GLSS-5 is to provide systematic, transparent and sound statistical data that could be used to plan, implement and monitor progress and results being made in the socio-economic growth and development of Ghana.
363. Specifically, the GLSS-5 will provide information on a wide range of indicators and statistics for targeting and monitoring poverty reduction intervention strategies and evaluate progress in the context of the national development agenda. The GLSS will provide basic indicators for monitoring the GPRS, the second phase of which has recently been launched, revise weights for compiling the Consumer price Index (CPI) and provide inputs into the poverty mapping at sub regional level.

364. The Survey covers a total of 660 Enumeration Areas (EAs) and 9,900 households. Out of this, 120 EAs represent a supplementary sample for fishing communities. As at April 2006 the Survey had gone through 7 cycles of data collection in 420 EAs (6,300households) and data for 6 cycles have been captured.

Ghana-Info

365. Ghana-info, a comprehensive national socio-economic database made up of compilation of indicators relevant for planning development has been launched by the NDPC and Ghana Statistical Service. Web site development has been completed and is operational. The address is <http://www.ndpc.gov.gh>
366. Various reports on implementation progress, GPRS I and GPRS II are available.

Ministry of Local Government and Rural Development

367. As part of government's resolve to strengthen the Districts Assemblies and make them the main vehicle for development activities at the local level, government continued with the implementation of the fiscal decentralization agenda in the area of district focused decentralized Budgeting within the medium term.

District Composite Budgeting

368. Mr. Speaker, in pursuance of government policy for fiscal decentralization Budget guidelines for district composite Budgeting were prepared by the Ministries of Finance and Economic Planning and Local Government Rural Development and Environment. Twenty – Five district assemblies were selected to pilot the composite Budgeting in 2006. The Ministry will begin the training of its core staff in composite Budgeting to enable all Districts to prepare their composite Budget in 2007.

Review of Comprehensive Decentralization Policy

369. The Ministry continued with the implementation of the decentralization action plans. However there are efforts to review the current decentralization policy and develop a comprehensive policy document by the end of the year.

District Database System on Financial Management

370. As part of revenue enhancing measure by Districts Assemblies, the Ministry embarked on the identification of houses for the collection of property rates. Planning and Budgeting data collection on the house numbering system in Brong Ahafo (BA) has been done in seven districts. These are Domaa, Tain, Wenchi, Jaman South, Asunafo South and Jaman North Districts.

Integrated Development Plan

371. To support the preparation of integrated development plans in 5 districts in BA by the end of 2006, the first draft of the digitized poverty maps for Brong Ahafo region has been delivered by CERSGIS. These maps will form part of the 2006-2009 Medium Term Development Plans of the districts.

Ministry of Foreign Affairs, Regional Co-operation and NEPAD

372. Mr. Speaker, the Ministry for the first half of the year made significant progress in achieving their policy objectives of managing Ghana's relations with other States and International Non-Financial Institutions and engaged in its facilitative role to ensure international support and assistance for Ghana's development agenda.

Chairmanship of ECOWAS Commission

373. The 30th Ordinary Summit of the Heads of State and Government of ECOWAS held on 14th June 2006 in Abuja, finalized the transformation of the ECOWAS Secretariat into a nine member Commission comprising a President and Vice President and seven Commissioners. Ghana's Dr Mohammed Ibn Chambas the current Executive Secretary will be the First President of the Commission which will take off in January 2007. It is expected that the transformation of the ECOWAS secretariat into a Commission, will enable the deepening and acceleration of the integration process and enhance the supranational powers of the Organisation.

Ghana's role on the Human Rights Commission

374. Mr. Speaker, on 9th May 2006 Ghana was elected by the United Nations General Assembly to serve a two year tenure on the newly created Human Rights Council of the United Nations after obtaining the highest votes cast for any of the vying member states.

375. The Human Rights Council created by the General Assembly to replace the Geneva based Commission on Human Rights, will address violations of human rights including gross and systematic violations, and promote effective coordination and the mainstreaming of human rights within the United Nations Systems. The inaugural meeting of the Council was held in Geneva on 19 June 2006.

Ghana's role at the Security Council

376. Mr. Speaker, in October 2005 Ghana was elected by the United Nations General Assembly to the UN Security Council to occupy the non permanent seat allotted to the West African region for a two year term from January, 2006 – December 2007. This represents the third time that Ghana has served on this important UN organ. This underscores the confidence reposed in the country by other member countries of the United Nations and recognition of Ghana's continuing positive role in the present process of reforming the UN.

Ministry of Interior

377. Mr. Speaker, the Ministry of Interior has the mandate to provide safe and secure environment which is conducive for vibrant socio economic activities, wealth creation and democratic development. To achieve these, the Ministry through its various agencies has undertaken numerous activities during the first half of the year. These include the following:

Cross Border Crimes

378. A Tripartite Meeting of Ministers of Interior / Security on Cross-Border Crimes to formulate new strategies to combat cross – border crimes and enhance cooperation among Ghana, Togo and Burkina Faso was held.

Ghana Police Service

379. To strengthen the Service, 868 people have been recruited and are currently under-going training.

Community Policing

380. To promote the policing of communities, Renovation works have been done at the Tema Harbour Police Station and new Divisions have been created in Ashanti North East-Effiduase; Ashanti West-Suame; Tongu-Sogakofe; Ashanti South West-Asokwa; Ashanti-South-Bekwai.
381. To revitalize the crime investigation process and establish vibrant crime intelligence the Criminal Intelligence Department has created the following units:-Violent Crime Unit, Organised Crime Unit, Property fraud Unit.

Ghana Prisons Service

382. Mr. Speaker, to continue the rehabilitation work at Ankaful Maximum Security Prison to ease congestion in the walled Prisons, about 48 per cent of work on Phase 1 of the project is completed.

Ghana Immigration Service (GIS)

383. Mr. Speaker, to upgrade the skills and knowledge of officers in IT and to boost the confidence of officers,
- Thirty officers are undergoing training in IT at the Headquarters.
 - Two officers sponsored for certificate course in auditing and financial controls at I.P.S.
 - One Officer sponsored for a certificate course in Telecommunication at the TELECOM University.

National Disaster Management Organization (NADMO)

384. Mr. Speaker, during the period under review, NADMO intensified its public sensitization campaigns on disasters and implement other preventive measures against these disasters, four [4] committee Meetings for Fire Disasters, Geological Disasters, Disease / Epidemic Disasters and Pests and Insect Disasters were conducted to prepare - Action Pan for the department. A draft document was also prepared for Emergency Response Procedures for Nuclear and Radiological Emergencies.

International Civil Defence Day

385. Awareness was created in twenty (20) first and second- cycle schools in Brong Ahafo (Schools in Sunyani) on Civil Defence.

Relief Items

386. Relief Items in various quantities were distributed to affected population countrywide to meet requirements of disaster victims

Ghanaian Immigrants

387. Forty-two illegal Ghanaian immigrants were received from Morocco in February from Lome, Togo during the period under review.

Training/ Seminars/ Conferences

388. Mr. Speaker, to provide accurate and timely information, Twenty-five [25] Regional and National Officers were trained in ICT. In addition, Four Officers were sponsored to GIMPA, GAFSC and Ghana Supply Company (GSC- Stores) to enhance their capacity for service delivery.

Narcotics Control Board

389. Interception carried out at KIA and various parts of the country to reduce drug trafficking and the availability of drugs in the nation has cost the country an amount of ₵338,549,977 so far. Various nationals including Ghanaians have been apprehended for various trafficking offences.

Ghana National Commission on Small Arms [GNACSA]

390. Mr. Speaker, to ascertain the impact of sensitization campaigns and other measures to fight small arms proliferation, new measures have been identified for implementation. A National Strategic Conference on Small Arms was organized in connection with the identification and implementation of the new measures.

MINISTRY OF DEFENCE

391. Mr. Speaker as indicated in the 2006 Budget, the Ministry of Defence intimated that the Ghana Armed Forces will continue to enhance its professional, logistical and administrative capabilities. For the first half of the year the major activities implemented by the MOD include the recruitment of men, construction of housing for military officers and the procurement of rifles.

Improve State of Combat Readiness

392. As part of efforts to improve the combat readiness, the GAF, carried out some vital maintenance on its combat vehicles, ships and aircrafts. It must be stated that the repairs of the engines have improved the availability of aircrafts for operational duties.

Improve Human Resource and Professional Development

393. So far a total of 752 recruits out of 1200 have been trained. The remaining recruits are expected to be trained by December 2006. In addition a significant number of men and officers of different ranks have undergone training both locally and abroad.

Housing

394. Mr. Speaker with regards to housing, as indicated in the 2006 Budget one of the major activities planned is the completion of phase two of the Ghana armed forces barracks project for all garrisons. We are pleased to report that the project is on course and progressing steadily.

GAF Participation in UN Peacekeeping Operations

395. The Ghana Armed Forces have deployed about 2,500 All Ranks in eight United Nations (UN) and African Union Peacekeeping Operations. The UN and AU peacekeeping operations are self financing, thus contributing countries provide equipment and UN reimburses them.

Ministry of Justice and Attorney General;

396. Mr. Speaker in pursuance of Government anti-corruption objectives, the Attorney General and Minister of Justice completed and published an index of all anti-corruption laws. This is expected to be launched and disseminated to all public officers in particular and the public at large. These laws will be reviewed by a committee to ensure that they are consistent with the AU and UN conventions on Anti corruption which government has signed on.
397. The Registrar General's Department has been provided with 50 computers and staff trained as part of efforts to modernize and decentralize its operations. Transfer of data in the manual registration file to an electronic database has been completed for all categories of

business registrations. Indeed the time for registering business has been reduced to 7 days for sole proprietorships and 14 days for limited companies. The average retrieval of information has been reduced from 2 days to 30 minutes.

Office of Parliament

398. As part of government's efforts to enhance the work of Parliament, funds were made available for the continuation of works on the permanent office accommodation for Parliament.

Judicial Service

399. Mr. Speaker, the Judicial Service has declared this year as Alternative Dispute Resolution Year (ADRY). In connection with that, the following activities were implemented in the first half of the year.
- 60 Judges and Magistrates out of a planned 80 have been trained on Alternative Dispute Resolution (ADR).
 - 50 career Magistrates completed a 2-year course at the Ghana School of Law and they are expected to start sitting in the various magistrates courts by October 2006.
400. It is expected that the training of these magistrates will help in achieving the mission of the Judicial service which is to promote the rule of law, transparency and speedy administration of Justice in the country.
401. Mr. Speaker, during the period under review, the Judicial service also made some significant investment. These include the completion of the Bolgatanga Administration/and Library and the completion of Phase I of the Wa courts Complex and the construction of the Bawku Circuit and Magistrates Courts was started.

THE AUDIT SERVICE

402. The Auditor General is now up-to-date with his reports to the Parliamentary Accounts Committee, including the 2004 report on the Accounts of the Consolidated Accounts and the reports of the Departmental Accounts of the ministries. The Report on the Consolidated Fund for 2005 was submitted to Parliament on 27th June 2006.

403. In addition to the above, the Central Governments' Audit Departments plan to carry out 340 audits during 2006. As at 30th June 2006, a total of 150 audits had been completed leaving 190 to be completed during the next half of the year.

Electoral Commission

404. The Electoral Commission initiated actions towards the revision of the Voters register during the last quarter of the year. The exercise was completed in April and the Commission is in the process of coming out with the final register.
405. As part of its skills development and capacity building effort, 35 senior staff were sponsored to do postgraduate courses at various institution. A total of 148 staff members were also trained in the use of ICT. On investments, during the first half of the year, 12 out of 15 Districts Office projects which had been stalled in 2000 were restarted in the last quarter of 2005 and are almost completed.

National Development Planning Commission;

406. Mr. Speaker, the NDPC in June has completed, published and circulated the Growth and Poverty Reduction Strategy document. As you are aware this will form the basis of our development agenda for the medium term. To ensure the effective monitoring of outputs of the GPRS II a Project Oversight committee and the technical committee have been inaugurated.
407. In addition to that a new Presidential Advisor for the national monitoring and evaluation of Governments Programmes has been appointed. Work at the technical committee level has started. Action plans and their corresponding Budgets from the NDPC and the Ghana Statistical Service have been completed.

Section 7: Supplementary Estimate

Introduction

408. Mr. Speaker, when the Budget Statement and Economic Policies of Government was submitted to this August house in November 2005, I signaled Government's intention to take advantage of the additional resources expected to be released through the Multilateral Debt Relief Initiative to enhance the realization of our development objectives, primarily through augmenting current levels of public investments and providing for further poverty reduction.
409. Mr. Speaker, we have received information of the amount of relief available this year, and we are therefore pleased to submit for the approval of this house, supplementary estimate for the use of these additional resources.
410. Mr. Speaker, in addition, Government is seeking the approval of this house, to raise additional revenue from various sources in order to undertake certain critical investments for the rest of the fiscal year.
411. Mr. Speaker, it is important that we take cognisance of the fact that the additional resources for which supplementary approval is being sought for do not involve any additional taxes. These resources are purely grants, loans and taxes already collected.

Receipts

412. Mr. Speaker, the total amount of receipts for which a supplementary estimate is being sought for is **¢4,280.3 billion**.
413. Mr. Speaker, an amount of about **¢27.4 billion** which had accumulated from an earlier period when an announcement in the adjustment of petroleum prices was made prior to Parliamentary approval in February 2005, is available for use as part of the additional revenue.
414. Mr. Speaker, Ghana will benefit from an amount of about ¢5,002.9 billion (equivalent of US \$ 547 million) from the Millennium Challenge Account (MCA) over the next five years. The amount will be used to support the Government's programme to accelerate growth and poverty reduction in twenty-two selected districts.

415. Mr. Speaker, Ghana's MCA compact was drawn from the GPRS II and focuses on the transformation of the agriculture sector, including associated infrastructural support. The compact has already been approved by the MCA Board and is currently awaiting the final endorsement by the United States Congress before government accesses the funds.
416. Mr. Speaker, an amount of about ₵311.0 billion (equivalent of US\$ 34 million) will be received and expended from the **Millennium Challenge Account (MCA)** this year on some programmed activities in the agricultural sector.
417. Mr. Speaker, this fiscal year, Ghana is expected to receive debt relief from the MDRI, consisting of US\$200 million (equivalent of ₵ 1,829.2 billion) from the International Monetary Fund (IMF), US\$24 million (equivalent of ₵219.5 billion) from the World Bank and about US\$6 million (equivalent of ₵54.9 billion) from the African Development Group.

Table 5: Expected Debt Relief from the MDRI

Cut-Off Date	Full Relief	Period of Relief	Amount to be received in 2007	Implementation Date
IMF- 31/12/2004	\$381 million	Immediate front Loading	\$200 million	01/01/2006
WB- 31/12/2003	\$3,000 million	Over 40 years	\$24 million	01/07/2006
AfDB- 31/12/2004	\$475 million	Over 50 years	\$6 million	01/01/2006
			\$230 million	

418. Mr. Speaker, I am pleased to inform you that as of today, the amount of US\$ 200 million expected from the IMF has been deposited in Government Accounts at the Bank of Ghana. The reliefs expected from the World Bank and the AfDB, are to be made available sometime during the 3rd quarter of 2006.
419. Mr. Speaker, a grant amount of US\$20 million (equivalent of ₵182.9 billion) is projected to be received from the Areeba Telephone Company to be used to finance the construction of the Accra East-West Water Loop.
420. For the rest of the year, Government expects to contract short term and long term loans to the tune of about US\$ 144 million (equivalent of ₵1,317.02 billion) to support various projects as described in the attached Appendix table 8. An amount of ₵ 859.7 billion expected to be contracted from local sources as short term loans while the balance

of ₵ 457.3 billion is a concessionary long-term loan expected to be contracted from the Deutsche Bank.

421. Mr. Speaker, discussions are far advanced with regards to the loan negotiations and we will be coming back to Parliament very soon to seek approval from this August house for these loans.
422. Government recognizes the vital role of the capital market as a key instrument for resource mobilization for the private sector. A complementary activity in this regard is the deepening of the activities of the Ghana Stock Exchange. In this regard, Government will continue its policy of off-loading its shares in various companies on the Ghana Stock Exchange.
423. Mr. Speaker, specifically Government intends to offload some of its shareloading in State Insurance Company (SIC), Ghana Oil Company (GOIL) and Produce Buying Company (PBC) on the Ghana Stock Exchange. An amount to of about ₵338.4 billion is expected for the sale of these shares. A twin objective is to both encourage the public at large to partake in the process of wealth creation and also raise additional resources to finance the supplementary estimates.

Payments

424. Mr. Speaker, we are requesting approval for a total amount of ₵4,280.3 billion as supplementary expenditures for various programmes and activities of MDAs not accounted for under the Budget presented in November to this August house.
425. The proposed expenditures are grouped under the following three thematic areas of the GPRS II:
 - Good Governance and Civic Responsibility;
 - Private Sector Competitiveness; and
 - Human Resource Development.

GOOD GOVERNANCE AND CIVIC RESPONSIBILITY

426. Mr. Speaker, Government is committed to the principle that Good Governance and Civic Responsibility are two key elements in empowering state and non-state entities to participate fully in the development process and to collaborate in promoting peace and stability in the body politic. Consequently, Mr. Speaker, a total amount of ₵ 1,783.5 billion is being proposed to finance various programmes

and activities under the Good Governance and Civic Responsibility pillar of the GPRS II.

Ministry of Local Government, Rural Development and Environment

427. Mr. Speaker, Government proposes first to utilize an amount of ₵ 27.4 billion to be used as seed money for the construction of new markets in Accra and Kumasi under the auspices of the Ministry of Local Government Rural Development and Environment.

Office of the Government Machinery

428. Mr. Speaker, even though the role of the potential impact of micro small and medium scale enterprises in the growth of the economy is well recognized, the lack of adequate credit continues to constrain the development of such enterprises. To help ease this credit constraint, Government is proposing to make available an amount of ₵ 457.3 billion to support the new micro-credit programme expected to be launched in August of this year. This programme will be co-ordinated by MASLOC under the auspices of the Office of Government Machinery.
429. Mr. Speaker, fully aware of the importance of the National Identification Programme (NIP) in the development agenda of the nation, we are proposing that an amount of ₵91.5 billion be used to support programmes and activities of the NIP
430. Mr. Speaker, in 2007, our dear Nation turns 50 since independence. It is a time to take stock of the Nation's life, to celebrate all the positive gains made, but at the same time to reflect on the corrective actions needed to move us towards the objective of achieving the middle-income status by 2015. A minimum amount of ₵ 182.9 billion is, therefore, proposed to finance the various activities of the 50th Anniversary celebrations.
431. In all, a total amount of ₵ 731.7 billion is being allocated to the Office of Government Machinery for the implementation of the activities described above.

Judicial Service

432. Mr. Speaker, the mission of the third arm of government, the Judiciary, is to promote the rule of law, transparency, and speedy administration

of justice in Ghana. In support of this mission, we are proposing an amount of ₵ 36.6 billion to be allocated to finance various programmes for the Judiciary.

Office of Parliament

433. Mr. Speaker, Government is committed to the principle that the Legislature has a very important role to play with respect to the smooth running of the nation's affairs.
434. Parliament, however, faces certain constraints which affect the efficient implementation of its programmes and activities. To demonstrate Government's resolve to enhance the capacity of Parliament, we propose that an amount of ₵64.0 billion be provided for Parliament to fund various activities, including the renovations in the chamber and an office block for parliamentarians.
435. Mr. Speaker, this is in addition to the sourcing of a loan in excess of 5 million euros which this August house has approved for repairing the electronic system in this Chamber.
436. Mr. Speaker, more importantly, however, very soon after discussions with the leadership of the house on the recommendations of the Chinery Hesse Report have been concluded, Government intends to lay before this August house proposals to significantly enhance the conditions of service for members of Parliament.
437. Mr. Speaker, it is our hope and sincere belief that the proposals when submitted will receive the full support of all members of this August house.

Ministry of Information and National Orientation

438. Mr. Speaker, it is our belief that when citizens of this nation are well informed their support and enthusiasm for contributing to the national effort becomes enhanced. Consequently we propose that an amount of ₵ 27.4 billion be provided to the Ministry of Information and National Orientation as seed money towards the implementation of Government's communication strategy.

Ministry of Interior

439. Mr. Speaker the Ministry of Interior is slated to receive a total of ₵292.7 billion to enable it purchase various items including

communications equipment, vehicles and other logistics for the Police Service. Of this amount about ₵ 109.8 billion is to be used by the Immigration Service to commence its renewed mandate of patrolling the nation's borders.

Ministry of Foreign Affairs, Regional Co-operation and NEPAD

440. Mr. Speaker, the Ministry of Foreign Affairs, Regional Cooperation and NEPAD is the key Governmental institution responsible for promoting Ghana's relations with other states as well as non-financial international and regional institutions.
441. To support this facilitative role to ensure international support and assistance, we propose that an amount of ₵45.7 billion be allocated to the Ministry largely for the rehabilitation of various Chancelleries. Part of the amount will also be used to cater for new personnel expected to be hired for the various missions.

Ministry of Finance and Economic Planning

442. Mr. Speaker, 2005 witnessed the re-opening of operations in VALCO. While the economic benefits are tremendous (evidenced for example by the higher than projected increases in output in the electricity sub-sector), there were also some associated costs which Government is committed to compensate VRA for.
443. Subject to reconciliation of data between VRA and Government, an amount of between ₵274.4 billion and ₵320.1 billion is earmarked to be allocated to the Ministry of Finance and Economic planning to be used as compensation to VRA for the difference in costs of generation and sale of power to VALCO.
444. Mr. Speaker, Government is committed to improving the working conditions of its employees. In this regard, we propose that an amount of ₵18.3 billion be allocated as seed money for a revolving fund to be used by civil servants for the purchase of consumer products as well as affordable housing. The details of how these funds are to be used will be negotiated with the Civil Servants Association.
445. The Balance is expected to be used as Contingency to cater for any unanticipated expenditures that may arise during the second half of the year.

446. An additional amount of ₵22.9 billion is proposed to be used as payment of Government's shareholding equity contribution in Glaco. It is expected that the funds will be used to support the construction of City Hotel project in Kumasi.

Ministry of Justice

447. Mr. Speaker it is proposed that an amount of ₵ 27.4 billion to be allocated to the Ministry of Justice to support the training of state Attorneys as well as the payment of compensation owed to certain individuals who testified at the National Reconciliation Commission (NRC).

Ministry of Defence

448. Mr. Speaker, in support of its domestic and international obligations, it is proposed that the Ministry of Defence be allocated with an amount of ₵ 146.3 billion to help rehabilitate the Naval Ship Yard at Sekondi. Part of these funds will also be used to cater for retirees of the military as well as support Ministry of Defence's UN Peace Keeping operations.

PRIVATE SECTOR DEVELOPMENT

449. Mr. Speaker, the GPRS II document emphasizes the critical role of the private sector in the achievement of our objective of accelerating growth so as to reach middle income status by 2015.
450. In support of this commitment, we are proposing that a total amount of ₵2,149.3 billion representing almost 50.0 per cent of the total request for supplementary expenditure, be allocated to the Private Sector Pillar of the GPRS II for various infrastructural projects in road and railway transport, energy distribution and generation, water distribution, tourism infrastructure, as well as modernization of agriculture.

Ministry of Transportation

451. Mr. Speaker, it is proposed that an amount of ₵ 868.9 billion be allocated to the Ministry of Transportation in support of road projects such as Tetteh Quarshie – Adenta, Achimota – Ofankor, Asankragua Enchi Dadieso, Bamboi – Tinga, among others.

Ministry of Harbours and Railways

452. Mr. Speaker, the Ministry of Harbours and Railways is expected to be allocated a supplementary amount of ₵ 73.2 billion to support the rehabilitation of railway infrastructure.

Ministry of Energy

453. Mr. Speaker, in support of Government's commitment to make up for the long neglect of adequate capital investments in the utilities sector, Government is proposing that an amount of ₵ 311.0 billion be allocated to the energy sector for the construction of a third BSP in Accra, the acquisition of pre-paid meters for the ECG, and the rehabilitation of generation equipment for VRA. Part of the proposed allocation will be used to finance the SHEP 4 programme.

Ministry of Water Resources, Works and Housing

454. The Ministry of Water Resources, Works and Housing is expected to be allocated a total supplementary estimate of ₵ 375.0 billion.
455. Of this total, an amount of ₵182.9 billion is proposed to be used to finance the construction of an Accra East-West loop to help stabilize the flow of water in Accra.
456. Mr. Speaker, the balance of ₵192.1 billion is expected to be utilized to support the Keta Sea Defense Project, the Korle Lagoon Restoration Project, the affordable Housing Project as well as the rehabilitation of the Peduase Lodge.

Ministry of Tourism and Diasporan Relations

457. Mr. Speaker, the Ministry of Tourism and Diasporan Relations is programmed to play a pivotal role in Government's effort at generating employment, thereby generating growth and reducing poverty. In recognition of this vital role, we propose that an amount of ₵ 54.9 billion be allocated to the Ministry in support of its various programmes and activities, particularly, the Joseph Project.

Ministry of Food and Agriculture

458. Mr. Speaker, the Agriculture sector has been identified as one of the key sectors to help achieve a higher growth. However one of the key constraints identified as impeding the sector's growth rate is the low level of the technology of production. To help ease this constraint, an amount of ₵109.8 billion is allocated to the Ministry of Food and

Agriculture for the purchase of modern agriculture equipment mainly tractors.

Millennium Development Authority (MiDA)

459. In addition, an amount of ₵ 311.0 billion from the **MCA** would be expended on the following activities among others:

- Farmer and Enterprise training in Commercial Agriculture;
- Development of Irrigation;
- Land Tenure Facilities;
- Improvement in Post Harvest Handling and Value Chain Services;
- Improvement of credit services for On Farm and Value Chain Investment;
- Improvement on feeder and trunk roads;
- Widening of Highway to Tema Port;
- Rehabilitation of Ferry services; and
- Support for community services

Ministry of Aviation

460. Mr. Speaker, the newly created Ministry of Aviation faces severe challenges with regards to stabilizing the turbulent aviation industry. To help meet these challenges an amount of ₵45.7 billion is being earmarked for the Ministry to help pay various creditors under the Ghana Airways Liquidation exercise. Part of the funding is expected to be used to support the activities and programmes of the newly created Ministry.

HUMAN RESOURCE DEVELOPMENT

461. Mr. Speaker, the capacity of a nation's human resource, is one key indicator for assessing the growth potential of that nation. The GPRS II document duly recognizes this fact and as a result, continues to give prominence to education and health as the anchor (foundation) sectors of Ghana's growth strategy.

Ministry of Education, Sports and Science

462. To provide practical meaning to this fact, we propose that an amount of ₵256.1 billion be allocated as supplementary funds for the Ministry of Education, Sports and Science (MoESS). Of this amount ₵27.4 billion is to be used to help complete the Phase I of the programme to upgrade Senior Secondary Schools.

463. Mr. Speaker, Ghana is to host CAN 2008 games in 2008 and the infrastructural requirements are quite immense. These requirements coming in the midst of Ghana's recent success at the World Cup, suggests that a successful hosting of CAN 2008 can be achieved.
464. To help achieve this goal, Government is proposing that an amount of ₵ 228.7 billion out of a total ₵256.1 billion proposed for the MoESS be dedicated to support the financing of infrastructural projects for the CAN 2008 games.

Ministry of Health

465. Mr. Speaker, we propose that the Ministry of Health be provided a supplementary allocation of ₵91.5 billion to support its exemptions programme as well as partially fill the gap resulting from the loss of financing arising from the collapse in the Health Sector-Wide Approach programme (SWAp).
466. Mr. Speaker, the foregoing provides the rational for requesting the approval of this August house for the supplementary estimates in fulfillment of the requirement of our Standing Order 143 of Parliament, Article 179(8) of the Constitution.
467. Mr. Speaker, the details of the supplementary estimate are also provided in Appendix Tables 6 and 7 of the Review.

Section 8: Conclusion

468. Mr. Speaker, the Ghanaian economy continues to be stable as we progress with the medium term goal of achieving middle income status. There are great challenges which we continue to face – the issues of the size of the public sector wage bill, the continued agitation for salary increases and improved conditions of service, the brain drain, the massive investment requirements in infrastructure among others. Nevertheless, Government is determined to face these challenges squarely and put in place the requisite measures to enable us achieve the desired results.
469. Mr. Speaker, as we put in place measures to strengthen revenue performance, we are streamlining our expenditures to enable us meet the aims of the 2006 budget. The supplementary estimate presented to this house for approval, focuses on increased resources to some critical areas in the three pillars of GPRS II – Private Sector Development, Human Resource Development and Good Governance.
470. Mr. Speaker, to improve the momentum of our development efforts and achieve the growth rates we are aiming for, so that Ghanaians can have jobs, and to further reduce poverty, we are proposing to increase investments in infrastructural development including roads, ports and railways, energy and water. We also propose to put resources into environmental management including work on the Korle Lagoon and Keta Sea Defence project. Other investments proposed are in Tourism and the Food and Agriculture sectors. The Micro credit sector will receive resources to promote job creation and generate incomes cutting across all sectors.
471. Mr. Speaker, in support of good governance, additional resources are being provided to the Ministry of Interior, the Judiciary, the Legislature, the Justice Ministry and the Ministry of Defence.
472. For Human Development, which is a critical pillar in the drive for growth and development, we are investing in school infrastructure and providing resources to enhance the exemptions program at the Ministry of Health.
473. Government is convinced that these revisions to the 2006 budget by providing additional resources to some critical areas, will enable us achieve the growth and poverty reduction objectives of GPRS II.

474. Mr. Speaker, the Appropriation Bill covering this Supplementary Estimate will be submitted to this house in conformity with Article 179 (9) of the Constitution of Ghana which states that:

'Where in the case of a financial year, a supplementary estimate has been approved by Parliament in accordance with clause (8) of this article, a supplementary Appropriation Bill shall be introduced into Parliament in the financial year next following the financial year to which the estimates relates, providing for the appropriation of the sum so approved for the purposes specified in that estimate.'

475. Mr. Speaker, I am, hereby, requesting this August house:

- To endorse the overall economic performance for 2005 and outlook for the rest of 2006; and
- To approve the supplementary estimate of ₵4,280.3 billion as laid earlier in the day, in conformity with Article 179 (8) of the Constitution and Standing Order 143 of this house.

476. Mr. Speaker, I beg to move.