Thank you Mr. Chairman.

At the outset, I wish to congratulate Mr. Peter Harrold and his team in Accra, plus Ms. Jones, Ms. Castro and all the other staff who have worked to put this CAS together. The team deserves some praise because they have been at the forefront of a lot of innovative programs that have been undertaken by the Bank, using Ghana and the mission as pilots. The nature of events in Ghana, and the fact of being a pioneer in innovative program has necessitated that the staff issue out a frank assessment and underline many important policy prescriptions.

My Ghanaian authorities appreciate the frankness of the report but feel strongly that it must also tell their side of the story. What I intend to do therefore, Mr. Chairman, is to select a number of pertinent policy issues raised in the CAS and present the picture as we see from our vantage point, from our perspective.

Let me begin with the question of government commitment to the reform program. If you would allow me, I would quote from para. 30 of the CAS: "The main factor which has limited the disengagement of the state is the lack of commitment by the top level of government to go very far". I am at a loss to ascertain where this conclusion comes from. If this relates to privatizing cocoa marketing, the media or utilities, then this conclusion is wrong. The only problem with cocoa privatization is that we refuse to go the way of our neighbouring countries and just abandon the farmers to the devices of what I call "brief case carrying merchants" with no resources and experience. Our disagreement with the Bank and Fund is on sequencing and speed. This also applies to utilities. On the media, there is a thriving and vibrant private media, so what is wrong with the government running two media houses which have a lot of management freedom to operate in competition with private media? The commitment of this government over the last fifteen years to reform cannot be doubted. This contention about lack of alludes to a number of examples, lack of speedy transparent process of divestiture, and the
government's attitude to the private sector. It would be pertinent to specifically address these issues.

On the question of speed, the Bank fails to highlight the capacity weakness in the government administration, be it at the central or district level -- a problem which the Bank/Fund must accept part responsibility for, in their earlier interventions in the public sector reforms by concentrating on cutting numbers instead of looking at capacity and professionalism. I will touch on this in concluding paragraphs. Demonstration of recent government's commitment has been the withdrawal of licences of two Banks -- Cooperative Bank and Bank for Housing and Construction for their inability to meet all the prudential requirements. Again, in an election year, the government has pushed through Parliament an increase in the VAT from 10 to 12.5%. This clearly demonstrates political will and courage.

As regards transparency, the government decision to call for new tenders in respect of the Accra Urban Water Project because the process may not have met the Bank's procurement practices shows the readiness to prompt take remedial action.

The most difficult aspect of the reform program has been the unfolding relationship with the private sector. The situation has been compounded by two critical factors that existed before commencement of reforms. The first was the state of the private sector characterized by import substitution, old machinery and equipment, and competitive advantages built behind high tariff walls. The second revolved around the poor regulatory environment that has existed till now. There are also two aspects to this regulatory environment, the need to quickly rewrite and reform these rules and regulations. Then there is the broader attitudinal mind-set and cultural changes that would have to buttress these legal reforms. The actual rewriting of the rules and regulations have been slow because of the dearth of professional staff in the legal and judicial services, for the poor remuneration that these professionals receive. The problem as we are all learning is not solved by merely marching in a bunch of consultants.

To try and remedy the situation, the government has called into session the National Economic Forum, that produced the Vision 2020 from which the Medium Term program was evolved. This forum includes a significant number of private sector representation. There is also the Private Enterprise Foundation which serves as a link to the government. Maybe what is needed is a more frequent and vigorous dialogue between the government and the private sector.

The whole effort at decentralization was initiated by government without prompting by any outside authorities. It had become clear early in the reform that the only way to coax development in the rural sector, was to devolve authority to the district. This is backed by the constitutional provision to allocate 5% of gross revenues to the district. The only reluctance at speedy implementation is the lack of capacity at the district to manage procurement and financial accounting. The reluctance of central government units to the idea is to be expected, and poses no great danger. The enactment of the local government laws as explained in the Urban V project will largely take care of this. The dialogue with civil society will need to be deepened to achieve trust and openness on both sides.
Let me also make a short comment on education. There are two clear problems -- resources and the proper utilization of the professionals in the system. The government’s decision to dedicate the 2.5% increase in VAT to education should ease the problem considerably. At this point we would also make an appeal to our donor partners to help coordinate efforts in this area. We believe that once this coordination is strengthened, the question of capacity utilization can be tackled with assistance also from the donors.

We agree with the staff report that in the area of fiscal management, the government will have to take immediate and final steps to eliminate the huge domestic debt that has put an upward pressure on interest rates and crowded the private sector out of the domestic financial market. The government has given an indication that proceeds from the upcoming sale of its shares in a number of firms would go to reduce the domestic debt.

Turning to the Bank’s own program, we can say that it is in the right direction but activities in crucial sectors like agriculture, education and poverty reduction has to be on-going and sustained. We endorse two cardinal principles in the Bank’s program, that the macro-economic environment must stabilize if growth is to be achieved. Second, that if growth is to be pro-poor, the performance in agriculture must improve significantly with increasing productivity in food farming and expanding opportunities in commercial and export crops. The triggers of the lending programs and the case scenarios are all acceptable. The only request here is that these be flexibly operated within the economic parameters especially with impact by external forces. We agree also that there is a need to work closely with IFC and MIGA to stimulate growth in the private sector by pressing ahead with regulatory reforms.

In concluding, let me dwell on a number of issues which I call challenges facing the government in the next three years. There has been criticism that the targeted growth rate of 8% is too optimistic in terms of the macro situation and external environment. But this is a target that drives our determination. Ambitious it may be, but we see it as attainable with maximum efforts. The next and most important challenge is the absolute need to diversify our export sector, taking advantage of both the potential in agro-forestry, processing and the exchange rate. The recent price collapse of cocoa, gold and the dramatic increase in crude oil prices have put us on notice. There is a basis on which to build with the tremendous potential shown by certain non-traditional crops like pineapples, cashew nuts, mangoes and oranges.

Following from this, the collaboration with the private sector has to be deepened. The grounds for such frequent and open contacts exist as we have said earlier, in the existing National Forum and Enterprise Foundation. The leaky relations between the government and the private sector has more to do with perception than reality. But it is a perception that needs to be removed now and permanently. Currently, all attention appears to be focussed on the coming elections, but whichever side wins the elections should not bring much change since there is near total consensus on the economic program. We see, therefore, that next year would usher in a government with a determined program. We hope we can continue to count on the support of the Bank and all the donor countries who have partnered the program this far.

Another issue we cannot ignore is the weak capacity in both the central and district administrations. Reforms would have to cover reducing the size, creating a small cadre of
professionals well remunerated, commercializing the subvented organizations that have the potential and re-deploying between central and district administrations.

Finally allow me, Mr. Chairman, to make a few comments on the Urban V project. The program's purpose, phasing and the underlying principle of ensuring that infrastructure needs are demand driven from the district, and reflect community needs, meets the thinking of my Ghanaian authorities and is applauded. The other interesting aspects are the learning by doing in areas of planning and procurement which are incorporated in the project.

Mr. Chairman, before I conclude, I would like on behalf of my Ghanaian authorities, to render our thanks and appreciation to the Bank, and all the donor partners who have supported us throughout all these years of twists and turns, as we attempted to restructure the economy. It has not been easy going, as we were buffeted by the storms of external changes that collapsed cocoa and gold prices, plus the political transformation that has ushered us into a new and welcome democratic process.

Again, a globalization of the world economy has forced competitiveness on us, with its openness and accountability, but without the equal capacity and resources to compete evenly.

Thank you.