International Bank for Reconstruction and Development
International Development Association
International Finance Corporation
Multilateral Investment Guarantee Agency

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Board Meeting of September 4, 1997
Statement by Kacim Brachemi

Ghana - Country Assistance Strategy

Thank you Mr. Chairman.

In almost two decades of partnership with the Bretton Woods Institutions Ghana has implemented an Adjustment programme that has brought considerable improvements in the economic well-being of its population.

The Government sees the current CAS as a continuation of a strategy programme that should be evaluated in its long-term impact. Short-term slippages should be discounted in terms of the evolving international environment and particularly the democratization and governance process that has brought up added layers of decision making, involving consultations, and delays costs. This is a cost which the government accepts. The government's determination to forge ahead with the programme is unwavering, buttressed by a Parliamentary opposition that also professes strong support for the programme, albeit differ only in the mode of its implementation. The Government understands that the current adjustment effort and the response from both Bretton Woods Institutions and donors will be based on the macro performance for the ensuing fiscal year. Therefore, every effort is being made to meet all the targets. Performance indications agreed to with the Fund are on target as at end June, 1997. The government has agreed to the postponement of the Fund ESAF paper until October, not because of any slippages, but simply because Parliament is on recess and two prior actions require tabling the paper before Parliament and discussions on various diplomatic protocols. These are the curtailment of exemptions and review of electricity tariffs.

Parliament has been summoned into session by the President to debate and approve the tariff reviews and the Fund has accepted the tabling of a Draft Parliamentary Bill on the Exemptions as completion of the prior actions required for Board presentation. The government is sure to meet these prior actions by September 12, 1997.

Table 3 of the CAS, talks about an unfinished Reform Agenda for promoting Private Investment. This list on page 8 leaves unsaid a lot of the progress that has been made in other areas and sectors. The tremendous efforts and successes achieved in privatizing the major commercial banks, the telecoms sector, the mining sector and above all, the rapprochement achieved with the private sector, and the Trade Union Congress, that have allowed stability...
and harmony are grossed over. The government is determined to set its own pace and sequence in the adjustment programme, according to its capacity to implement. Petroleum decontrol is complete and the regulatory framework for private sector participation in power, rail, ports and urban water works have been set in motion. The other issues of the Value Added Tax, reform the Public Sectors are all on-going programmes that require time and better husbanding. Our first attempt at introducing the VAT produced serious demonstrations, resulting in its withdrawal. The government intends to initiate a programme of consultations, discussions and build consensus on these issues before attempting to implement them. The government is aware that soon after promulgating a petroleum price increase, to be followed by stiff tariff increases in electricity and the VAT in the New Year, it best needs to educate, and explain the need for change in the tariff and tax system and the consequences of inaction to the public before attempting any new adjustments. In this, it is determined not to be stampeded into any hasty decisions and actions. A problem not mentioned in the CAS at all, is the very weak institutional structures that exist to implement the adjustment programme. At the moment Ghana is carrying on a reform programme on two fronts - economic and political. The pace then is bound to slow down given the tremendous efforts that need to be invested in these two exercises to carry along the populace. This has to be taken into consideration in demands made by the Bank and other donor groups to accelerate the pace of the reform programme. The Bank has admitted its own weaknesses in paragraph 38 and as explained in the footnote 21 on that page, the government awaits the Bank's action programme.

On cocoa, the government, the opposition parties in parliament and the majority of the private sector feel strongly that liberalization of the external sector is not the answer to the problems in the cocoa sector. The Bank financed a study which rejected the ideal of privatization of the external sector, saying no benefits would be derived from such an action. Again, there has been no demonstrable better private sector performance in this area, compared to public sector marketing. Ghana has a premium on its cocoa in the world market and is not about to jeopardize this for a simple ideological reason of privatization.

The important factor in the cocoa industry is to keep farmer interest, by increasing gradually the share of the domestic price that goes to the farmer. This the government has tackled by improving domestic marketing which has resulted in the farmer share of the world market price going up to 52% this year.

The large consensus in Ghana is that the cocoa sector does not need any external help. What is needed is help in the other agricultural sectors, such as production of export crops like banana, cotton, coffee and above all, the low production of food crops with the resultant high prices, which has sustained inflation in all these years. Food constitutes 49% of the CPI. CAS talks about Rural Development, Poverty Alleviation, increase in rural incomes and the most serious problem of gender inequality. This is all tied to poor agricultural productivity in food crops.

At the bottom of all this is the need for a credible agricultural policy that links rural improvement, investment in rural infrastructure, water, village roads, post harvest facilities, increase extension services and above all, credit. The government has indicated its intention to adopt the out-grower scheme with large core commercial farms, with small scale outgrower farms depending on these core farms for extension advise, marketing and credit. This has worked well in the expansion of oil palm. The government awaits the Bank's input and advise.
The other critical area is developing Capacity in the Decentralized District Administration where most of the rural population require services and come into contact with the government bureaucracy. A recent survey in the District has revealed serious short-coming in financial management, procurement, contract adjudication and most serious of all, the capacity to assess and collect revenue. The situation is made more serious by a constitutional provision which mandates that 15% of central government revenue be transferred to the districts. Even environmental and gender issues cannot be seriously tackled, unless capacity for implementing decisions are created in the districts. Increasing resource to the Education and Health sectors would not achieve the maximum effect nor the alleviation of the environment problems listed out in box 4 on page 23, without the requisite human and resource base to achieve this.

The other key problem in the social sector is how to tackle the whole question of poverty. While the government believes that the poor do ultimately benefit from a stable macro environment, it is aware that specific efforts must be put in place to alleviate poverty. A serious programme has been initiated to tackle the inadequacy of rural credit. A unit has been established within the Ministry of Finance charged with working with the NGO groups like World Vision which is providing inventory credit, the Susu groups which have a wide network throughout the urban centres particularly with the market women and other donor groups actively involved in this area.

The team participated actively in the Bank organized Micro Credit Seminar in Burkina Faso early this year, and the recent conference on micro credit in Canada. A poverty paper is being prepared for which Bank assistance is being sought.

The government has decided that it would not quarrel with Bank case scenario provided for in this CAS, because the level of spending available will really depend on the level of implementation.

On the same score, the government would continue to carry on a serious on-going dialogue with donor countries to attract their support in the implementation of the CAS. There is enough room in the evolving adjustment programme for each donor to find a niche which it can support.

We cannot end this note without our sincere thanks and appreciation to all the donors who have supported us throughout the last two decades. There have been scores of staff who have worked on the Ghana programme for whom we owe a debt of gratitude, especially in the earlier years of the 1980s when the situation was particularly difficult, yet they worked with us with dedication.

Thank you.

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1 A savings and Credit Union