

**AN OPEN LETTER TO HIS EXCELLENCY, THE PRESIDENT OF THE  
REPUBLIC OF GHANA, JOHN AGYEKUM KUFFOUR**

**The Outcome of Public Forums Held Throughout the Country on  
the 2004 Annual Budget**

**by the Centre for Budget Advocacy - ISODEC**

**Introduction**

The Public forums on the 2004 Annual Budget is the fourth in the series of public forums initiated by the Centre for Budget Advocacy (CBA) of ISODEC in 2001, coincidentally with the coming into power of the New Patriotic Party. They are part of efforts by ISODEC and Save the Children – UK to generate public awareness and interest in the budget process and encourage the public to contribute to the discussions on national fiscal policy with a view to engendering participatory governance in the country. The two institutions are concerned that the Ghanaian public does not show much interest in the budget process and also, about the fact that, a majority of Ghanaians do not have the opportunity to make an input into the budget process. Both ISODEC and Save the Children – U.K., have a commitment to work towards budget decisions that lead to progressive increases in allocation of resources to the poor and marginalized in our society, particularly women, children and people with disabilities.

We note with happiness the government's decision to initiate its own public forums on the 2004 Budget throughout the country. We view this as a clear testimony that the government appreciates the benefits of ISODEC's public forums although we would have expected the government to support the civil society forums instead of initiating its own, all addressed by Ministers and Party members and presided over by Regional Ministers, making it more or less an NPP party affair. It is also sad some government officials have persistently declined to serve as resource persons at the CBA's civil society forums, either at short notice or sometimes even without notice.

We present here a summary of the issues that were raised at the public forums, which we believe would need your attention:

**Making budget understandable**

Both resource persons and participants saw the importance of making budget information and important national policy documents available to the Ghanaian public. There was, therefore, an appeal to the authorities to make available to the public important documents that can promote national development, good governance and reduce poverty in the country, such as the Constitution, the Ghana Poverty Reduction Strategy (GPR), the Annual Budget and the ruling party's Manifesto.

Participants called on the District Assemblies to hold forums for their people and provide information on their activities and opportunities available in the budget for them, with civil society taking advantage of the information. Some speakers felt that, sometimes, the MDAs are the problem and appealed to public and civil servants to provide information to the public. Civil society should demand knowledge and information on both national and international issues from the

appropriate public officials and institutions so that they can be guided by such information in whatever they do.

Some speakers and contributors acknowledged the important role that ISODEC has continued to play in assisting the government, through its public forums on the annual budgets, in its decision-making process.

### **General Comments on the 2004 Budget**

Some resource persons and participants felt that the budget on the whole offers some hope for an economic take-off with appreciable inflows, repackaged tax incentives, private sector support and a number of infrastructural developments lined up. They were, however, apprehensive that these may not be translated into people actually eating well, enjoying decent standards of living and the streets being rid of the legion of beggars and idle youth.

A good budget, most participants felt, should answer positively the following questions:

- Do our social needs reflect in the Budget?
- Will the implementation of the Budget increase our access to the basic social needs or facilities such as education, health and quality water?
- Does the Budget touch all areas of our life?
- Which areas are not touched and why?

However, other participants and resource persons felt that there was no consistency in the government's budgets in the last four years, stating that consistency was critical to any development process, particularly, in ensuring the achievement of goals and targets. They pointed out that, the annual budget, as a developmental tool, lacks consistency from one budget statement to another, adding that it would have been easier passing judgment on whether or not the government is fulfilling its developmental objectives if the previous budgets linked up with the current budget.

Some participants felt that, in spite of the current freedom of expression Ghanaians enjoy, there is the tendency to see one to be against the government when one is overtly critical of government policies, while indeed, many of such policies coupled with social ills such as corruption, lack of accountability and good governance are exactly what has brought the nation to its present state. There is the need for greater tolerance of dissenting views, if the nation is to surge forward in its quest for economic development. There is also the need for government to have a long-term plan and an annual assessment of ongoing programmes rather than limiting itself to annual programmes (budgets) of development activities.

The budget was viewed by some participants as an election year budget because:

- it was silent about price increases although they were implied in the deregulation of the petroleum sector;
- it made capital of so-called tax cuts which do not have any potential benefits;
- the GDP growth rate target was put at the 2003 level, probably to be achievable so as to claim credit.

- the tax reliefs were cosmetic, including the reduction in corporate tax rates to take effect next year.

### **Macro-economic Targets**

Resource persons and participants expressed cautious optimism about the budget's ability to sustain the growth targets achieved last year. Some of these targets are definitely unachievable, particularly the proposed single digit inflation. A budget deficit of 1.7% of GDP as the set target for 2004, can be achieved only with severe cuts in public expenditures and only if the gains from HIPC, including other foreign inflows, are received as a result of Ghana reaching the "completion point", an unpredictable situation. We deploy the situation whereby many projects begun several years ago are still ongoing, with some only about 10% completed. These projects have been going on for far too long and, therefore, incurring more cost and not benefiting the communities for whom they are initiated.

While describing most of the targets as unachievable, some participants and resource persons also expressed dissatisfaction with the GDP growth rate of 5.2%, not only because it was pegged at the 2003 level but also because it did not show a determination to reach the middle-income status by 2010 as planned by government. Some participants even felt that the government is not doing enough to improve upon growth as the policies in place, such as hikes in petroleum prices and utility tariffs, make local production very costly and almost impossible. On inflation participants agreed that the justification for the failure to achieve the 2003 target was not tenable because it showed a lack of consistency and coherence in policy making. At the time the 2003 Budget was being formulated it was clear to government that it was going to adjust petroleum prices and this should have guided government in setting its macro-economic targets.

Although lowering inflation is good, it is more important how that is achieved. The only way to appreciate the impact of the measures is to conduct a social impact assessment of how they affect the individual, the household, industries, and the general socio-economic development of the country. In the government's bid to reduce expenditure, the social services sector has suffered. Also, the government's stabilisation policy has led to a backlog of uncompleted roads and other maintenance works but if roads are not given the routine annual maintenance, they will deteriorate, and as a consequence, increase vehicle operation cost, prolong traveling time and increase accident rates. These have not been factored into the budget and, therefore, the tendency for government to substitute social deficits for these budget deficits. Low inflation rate and deficits are not ends in themselves but rather symptoms of the disease afflicting the nation's economy, for which reason, targeting low inflation will simply amount to window-dressing the real economic problems.

On interest rates, the Treasury bill interest rate, is currently recording a real negative rate of 5%, pushing customers to start redeeming their treasury bills to buy foreign currencies, bringing about the recent depreciation of the cedi. Moreover, the interest rates on savings remain stagnant at abysmally low levels and discouraging domestic savings. The preponderance of the black market exchange dealings offers more for the local currency, and thereby over-valuing

the cedi. The situation amounts to indirectly subsidising imports and punishing exporters, thus, creating a lot of distortions in the system.

### **Addressing the Education sub-sector Problems**

Some participants called for the provision of the needed support to Technical and Vocational Education and Training, which would equip the youth with employable skills, and reduce poverty. They also emphasized the need for the prompt payment of the percentage of the VAT intended for the GETFUND, the institution of policies to attract young and brilliant graduates to take up lectureship in our universities and the provision of the needed facilities in schools to increase intake of qualified students.

Participants were saddened by the fact that, even in the deprived districts, already advantaged schools were selected for upgrading to model SSSs, with the deprived ones remaining in the same situation. In any case, they queried why there was a need for model schools when virtually every school in certain regions needed special attention. Moreover, the policy to provide all the 110 District Assemblies with one model SSS was misguided as some districts are already well endowed with several model schools and did not need any special attention.

Participants commended the NPP government's efforts to provide school infrastructure but lamented the acute shortage of teachers, as well as inadequate supplies of furniture and teaching materials, in most of the rural schools. Some participants, therefore, call on the government to use some of the HIPC monies to reduce school fees for the poor and to motivate teachers to go to the rural areas, as school buildings without teachers cannot be called schools.

Moreover, as long as attendance to school is based on ability to pay it is very difficult for many children, even in the cities, to access education. The government policy has shifted from cost sharing to cost shifting as students and parents are made to pay virtually all costs of education. They particularly lamented the school fees for the Law School, which they felt is aimed at eliminating students of poor parents from going into the law profession.

The participants also called on government to improve upon supervision at the basic schools to improve upon education in the rural areas. There is also the need to address the problems of low numbers of specialized teachers and learning materials to enhance the education of the blind and deaf.

### **Focusing on the Agriculture Sector**

Some participants and resource persons felt that various governments appear to be paying lip service to the agriculture sector, especially in the three Northern regions, where farming is the main source of livelihood for many people. They argued that any serious intervention in the agriculture sector in the North should be targeted at dry season farming as this is the period that requires human intervention.

There was also a call for public sector intervention in areas where the private sector cannot or is not interested in getting involved. In such areas, the District Assemblies should consider establishing partnerships with the private sector or even among themselves to undertake business ventures that will not only bring

additional revenue to them but also benefit the people. There were also complaints about the late release of credit for farmers as this often led to misappropriation of the facility, resulting in problems with repayment.

Participants were happy that the growth in the agric sector was attributed to government intervention in the cocoa sector and wondered why such intervention could not be applied to other agriculture products such as cotton, rice and poultry. In fact, the Budget was silent on these important sectors. They called for a re-introduction of the tariffs on rice, cotton and poultry products, government support for these sectors and the operationalization of the President's Special Initiative on sheanuts. At least, efforts should be made to protect existing sheanut trees in the North where they are wild trees. They also felt that lumping livestock production with crop production was a deliberate attempt to hide the negative growth of the livestock sector, which requires government intervention.

In the Western region, there were complaints about plantation farming taking so much land from the communities, and hence people having to travel long distances to farm. They called on the government to put in place measures to ensure that enough land is made available around the communities to serve as buffer for their food production.

#### **The External Debt Situation and The HIPC Initiative**

Participants at the public forums expression apprehension at the rate at which the external debt was increasing, even with the HIPC debt relief, as it would create further debt burden for children. There is, therefore, the need for government to reduce donor dependence by putting in place adequate measures to widen the tax base.

There was also general dissatisfaction with the disparities in the cost of HIPC funded projects, which smacked of alleged corruption and inflation of project costs. Participants also felt that the labeling of HIPC projects was uncalled for as it was serving a campaign purpose, calling it a public relations strategy.

#### **Tax Relief for Individuals**

While appreciating the goodwill gesture on the part of Government in raising the individual minimum tax threshold from ₦1.2 million to ₦1.5 million per annum, participants at the forums regretted that, the level of adjustment in the threshold, would not make much of a difference to workers' incomes, because the relief, in absolute terms, or when translated into earnings for workers, is abysmally low and will not lead to any meaningful improvement in their purchasing power. They also called for a reinstatement of the End of Service Benefits just as policy makers receive Ex-Gratia awards. Even for those workers who received end of service benefits they were grossly inadequate. A participant wondered why the Budget did not say anything about public workers' salaries as the Budget obviously included estimates of personnel emoluments. He asked: what were the estimates based on?

#### **Tax Reliefs for the Private Sector**

Some resource persons and participants at the public forums felt that some of the tax concessions granted in this year's budget have been in existence since the NDC era and, therefore, do not constitute anything new. Moreover, corporate

tax was originally 35%, reduced to 32.5% for all companies and 30% for only companies listed on the Ghana Stock Exchange in 2002. The government's intention of using corporate tax reduction to encourage the private sector is quite laudable, but such a policy needs to be fine-tuned to take into account small and medium scale enterprises that are also widely known to be major sources of employment creation and income for many families. The corporate income tax relief only served the interest of the stronger companies in the country as against the weak, small-scale businesses, which needed support to grow and become competitive.

### **The Poverty Reduction Strategy**

Many participants expressed the view that the Ghana Poverty Reduction Strategy (GPRS) on which the budget is supposed to be based, prioritizes wealth creation to the detriment of poverty reduction. They felt that, for the GPRS to really have impact on reducing poverty in the country, more emphasis must be placed on poverty reduction. This is because if the wealth created goes to few people while the bulk of the people remain extremely poor, the national poverty situation would not change and the goals of the GPRS will not be achieved. They also called for the involvement of all stakeholders at every level of the review and implementation of the GPRS Programme.

### **Privatization and Cost Recovery in Ghana**

Participants at the public forums expressed the view that the current utility tariffs are having a negative impact on the poor in the country in spite of the subsidies. They, therefore, called on the government to address the problem of high utility tariffs in the country. Cost recovery of whatever form must not be an imposition from the IMF or the World Bank but it must rather be a decision from the people as to where we want to go and how to achieve the full cost recovery. The budget must be made to satisfy the needs of Ghanaians and not a means of bringing about unnecessary hardships on the people. The policies of privatization and cost sharing and cost recovery are bringing untold hardships on the majority of Ghanaians.

### **Catering for People with Disabilities**

Participants expressed satisfaction with the 2004 Budget's mention of the disability bill, which, if passed into law, would among other things ensure accessibility of PWDs to infrastructure, information, communication, public facilities and services. They also noted with gratitude the nominal increase of funds allocated to the Ministry of Manpower, Development and Employment. However, it is not clear how much of the total resource allocation to the ministry, will go to Persons with Disabilities (PWDs). In spite of the government's efforts at providing and improving educational facilities across the country, none of the classrooms, the toilet facilities, teachers common rooms, stores and libraries are accessible to PWDs. Also, while teaching and learning materials are being supplied to schools, the Braille Press, which will produce books for the blind, is awaiting a philanthropic gesture to "save its soul". Moreover, the government's transportation policy does not factor in the needs of the PWDs. It is hoped that in the area of ICT, the government would ensure that its policy integrates PWDs, through for instance, the incorporation of speech software for the blind. Furthermore, Ghana is in a state of lawlessness where sidewalks have been literally hijacked by petty traders, trotros, taxis, etc. PWDs, therefore, have to wheel themselves on main streets because they have

no other choice. Secondly, sidewalks have been raised such that PWDs cannot even use them. If the disability bill is passed then these will have to be changed and made accessible to PWDs. Once it is passed government will also have to ensure that people do not sell on these sidewalks.

### **Mobilising Domestic Savings**

Participants at the forums expressed dissatisfaction with the practice where the international banks charge people for saving with them, and also, charge them when they withdraw money. They claimed that this why people resort to trading with their money or changing their local currencies into foreign currencies. This is one reason why some citizens, including workers' groups, have agitated that the Ghana Commercial Bank (G.C.B) remains public, so that small businesses and individuals can have ready access to banking services throughout the whole country.

Participants at the public forums, therefore, welcomed the Government's proposal to restructure the Ghana Commercial Bank and encourage Ghanaians to acquire shares but felt that a management contract is not the best way to salvage the Bank. The GCB may not be the best of banking companies but it has a purpose - to mobilise savings from all over the country, not necessarily for profits, like private international banks, but for national development. The GCB should be allowed to perform its task, and if there is reason to believe that either the board or the management is incompetent, they should be replaced with capable Ghanaians.

### **Affordable housing for Ghanaians**

At the public forums some participants alleged that SSNIT was playing unfair games with its housing schemes by requiring tenants to pay huge monies as rent or in default be evicted. They, therefore, called on Government to step in and address the housing problems facing many Ghanaian workers. They also called for a careful appraisal of the viability of government's policy to sell existing low cost government houses to sitting tenants and to use the proceeds, as seed money, for the provision of more houses. Some participants felt that the issue should be given further consideration, as the sale will adversely affect transfers of public officers to some regions and districts, especially the deprived ones. However, should the government proceed with the sale, it is necessary to put in place measures to ensure that workers actually buy the houses and not rich landlords, who will then rent them to workers.

### **The President's Zero Tolerance for Corruption**

On the declared zero tolerance for corruption, a participant appealed to all citizens to be involved and not blame the government alone. However, the general feeling was that the government has to take the lead in bringing to book public officials (officials that the government has appointed) found guilty of corruption.

Some even felt that the government's declared zero tolerance for corruption has lost its focus and zeal, with the government refusing to act on allegations of corrupt practices. It was also noted with regret that the CHRAJ, an independent governance institution that fights corruption, has not been given any budgetary allocation and wondered why the Commissioner had not complained.

### **Pension Benefits from SSNIT**

Participants at the public forums indicated that SSNIT was set up to receive workers contributions, invest the funds and pay improved pensions and benefits. As such, the Government's responsibility is to put in place a board of directors to be in charge of the trust. Government should have no say whatsoever in how the trust is managed, except where it is being mismanaged. Unfortunately, this is not so, and government keeps meddling in the day-to-day management of the trust, creating fears of insecurity for workers as they prepare for retirement.

Some participants even complained about the paucity of the SSNIT retirement benefits and called for a reversal to CAP 30, comparing SSNIT benefits with the benefits of insurance policies, which are quite significant. Others pointed out that the law setting up the SSNIT fund provides benefits other than pension and, therefore, called on the TUC to ensure that employees enjoy these other benefits. They also appealed to the TUC to do something about the 3% base rate returns from SSNIT because insurance and other financial sectors are giving 12% as their base rate.

### **Tariffs on Imports and Subsidies for Local Producers**

There was a call for the re-introduction of the 25% import tax on rice and 40% on poultry products, imposed in the 2003 budget, but withdrawn before its implementation. This was a genuine and legitimate policy to save the local industry and protect the Ghanaian poultry and rice industries against intensive and unfair competition from subsidised imports, and secure the livelihoods of Ghanaian farmers, and should not have been reversed.

Tariffs for the poultry and rice industries are very necessary. Even in countries where economies are vibrant subsidies are still introduced as a developmental tool and also to protect their local industries. No country has ever developed without subsidising its local industries.

### **Deregulation of the petroleum sector**

The participants at the public forums called on the government not to rush with the deregulation of the petroleum sector. Deregulation is good if the regulatory bodies will do their work well by ensuring that, for example, petroleum providers do not collude to set unfair prices. It is important that a well-organised regulatory body, that will protect consumer interest, is put in place.

### **The Effect of Utility Prices on the Poor**

Some participants expressed dissatisfaction with the fact that, in spite of our desire to fight poverty, we continue to pursue a lot of policies that actually lead to poverty escalation, referring to the increases in water and electricity tariffs. They alleged that we get less of these utilities but are made to pay more, making the citizen worse off than before. On one hand, there is the GPRS that claims to be pro-poor but if we were to build a good comprehensive model it will be evident that, on the other hand, we are creating poverty. This, in the end, is an illusion of progress.

### **National Health Insurance Scheme**

It was re-stated that the position of TUC is that government should not take the 2.5% of workers SSNIT contribution for the fund, whether it is from the

employee's 5%, the employer's 12.5%, or the cumulative 17.5%. The contributions are for the SSNIT to invest in order to pay improved pension and other benefits to workers. The decision to appropriate 2½ of workers' contribution to the SSNIT fund to kick-start the National Health Insurance Scheme is an additional tax on the already over-taxed Ghanaian worker that should be avoided. On general health, some participants lamented the failure of government to make essential drugs available to the poor, adding that mobile clinics would have brought health care to the doorsteps of the poor and vulnerable in society.

### **Decentralization and the DACF**

Some participants at the public forums expressed dissatisfaction with the fact that most of the Area/Town/Urban Councils are not functioning at the various districts due to inadequate resources and other problems. Given the fact that the government is stressing on governance when it comes to poverty reduction, there should be some attention aimed at strengthening the sub structures of the local government institutions to make them function effectively.

### **Addressing Regional Inequalities in Development**

Participants at the public forums in the three Northern Regions, felt that the North continued to be marginalized as the NPP government neglected the North in its economic programmes. They, therefore, called for a general PSI for the North to uplift the economic status of the poor and deprived in the area through special budgetary allocations to those regions. Some were more radical and called on Northerners to stand up and demand their share of the Nation's resources.

On the President's Special Initiatives, participants felt that the North had a high potential in agriculture that could be boosted by the PSIs, such as cotton (which is part of the PSI on garments), soya beans, groundnuts, sheanuts and guinea fowls. Yet, not a single PSI was initiated in the North, when such initiatives would greatly alleviate poverty in the North.

Of particular worry was the failure of government to do something about sheanut production in the North. The sheanut tree still remains a wild plant and no investment or even any concerted action is being undertaken to encourage its cultivation on a commercial level. Linked to this was the complaint that the extension of cocoa scholarships to the wards of sheanut farmers and other Northerners had ceased, which was affecting the education of the children of Northern extraction. They wondered why this was the case as sheanut had been brought under the ambit of the Cocoa Marketing Board.

There were expressions of concern on the establishments of a sheanut processing factory and a Tomato processing factory both in the Ashanti Region with the active support of the government, rather than Northern Ghana where the raw materials are in abundance and there is already a Tomato Factory at Bolgatanga. Crops such as cashew, soya beans and lint were not getting the necessary boost as farmers did not have the capacity to determine their prices and crop production was not being given the government focus in spite of the high potential. Where special attention is given to these crops, they are targeted at the farmers in the South. Livestock production and irrigation, areas that would benefit the North, have not been given serious attention.

Other complaints from the participants at the public forums in the three northern regions included the unfairness in the allocation of the HIPC fund, which was allegedly based on population instead of the poverty diagnostics and regional incidence of poverty.

However, participants did not leave responsibility for the problems of the North on the government alone. They concluded that it was necessary for Northerners to play down their political and tribal differences and work together for the development of the North, as they will remain backward otherwise.

#### Conclusion

Your Excellency, the Centre for Budget Advocacy humbly submits these views to you with the hope that you find them valuable. We wish your government the best of luck. We assure you of our continued constructive but critical support.

Thank you so much for your time and attention.