FIVE-YEAR DEVELOPMENT PLAN

1975/76 - 1979/80

Part I

Approved by the
SUPREME MILITARY COUNCIL

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MINISTRY OF ECONOMIC PLANNING
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GENERAL I. K. ACHEAMPONG
Head of State and Chairman of the Supreme Military Council

Foreword

On assuming power, the National Redemption Council set itself the task of clearing the chaotic conditions which led to the disastrous devaluation of the Cedi in 1971. As part of this process, a new basis for relations between Ghana and her partners in trade and economic development was proclaimed. Debts obviously tainted with corruption were repudiated and since then a programme for the settlement of debts duly acknowledged is being vigorously and successfully implemented.

The 13th January Revolution declared economic self-reliance as a national goal. In this respect, we have succeeded in promoting increasing indigenous participation in the Ghanaian economy and have spelt out for the benefit of investors, both domestic and foreign, the conditions under which productive investment can be made in Ghana.

The present conditions of world inflation, high energy costs and rising prices of manufactured imports, oblige us to enforce strict economic discipline and to ensure that key instruments for economic management and counter-inflation are used to maximum effect, especially in such areas as fiscal, monetary, balance of payments policies, prices and incomes control systems and measures to increase productivity in agriculture as well as growth in value and volume of exports.

The Supreme Military Council shares the expectation with all Ghanaians that the national economy must continue to grow. This is why, under our leadership, Ghana, in spite of serious constraints and bottlenecks, is continuing to expand its resource and production base. To cite a few examples: preparations for starting work on the Kpong hydro-electric and irrigation project are well advanced and hopefully a similar project at Bui is to follow rapidly on its heels. Such projects are to strengthen our self-reliance in energy resources. Irrigable parts of our country have been studied, and we can expect, within the plan period, to reduce our precarious dependence on rain-fed agriculture. Exploration for gold, manganese, diamonds, bauxite and other Ghanaian traditional minerals as well as for petroleum continues. Ventures for more economic use of Ghana's forests and livestock resources are growing in numbers, size and value.

As more and more pupils leave school, trainees qualify, University students graduate and more productive techniques release more persons from farms and rural areas, additional opportunities for gainful employment have to be found. The projects coming on-stream and the National Rural Development and the National Youth employment programmes are some indications of action which we, as a nation, are taking to cope with the complex issues raised by changes in the labour participation ratio. Moreover, the current guidelines for wages and salaries point a way to the bridging of gaps in the Ghanaian wages and salaries structure and to the institution of a minimum household income, and the removal of social disabilities and inequities. All these trends are in keeping with the determination of the Supreme Military Council to help the poorest-paid worker and the bulk of our population who live and work in the rural areas.

Within the plan period, Government, with the support of the entire Ghanaian community, expects significant gains in food and agricultural production, industry and trade. If these gains are to confer meaningful benefits on the people of Ghana, they must be backed by effective support services and a wide spread of social services.

Our concept of a Union Government for Ghana stems from an awareness of the need for social and political harmony which can best be cultivated in an environment of equity and national cohesion. The plan in this respect, reflects a conscious effort to foster growth and the transmission of growth to all parts of our nation.

Ghana is embarking on fundamental economic and social changes. The 1975/76–1979/80 *Development Plan maps out the nation's course of action.*

On behalf of the Supreme Military Council, I extend an urgent appeal to each and everyone of us, nationals as well as other partners in our common economic endeavour, to make a distinctive contribution to such an epoch-making effort.

Head of State and Chairman of the
Supreme Military Council

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CHAPTER I

THE ECONOMY OF GHANA

1.1 Basic Characteristics

Much economic activity in Ghana is agricultural and rural. Thus agriculture—broadly defined to include livestock, fisheries and forestry—accounts for more than 40 per cent of gross domestic product, provides employment for 60 per cent of the labour force, and accounts annually for some 70 per cent of total export earnings. Moreover, a single crop—cocoa which was introduced in Ghana in the 1890s—has long had a dominant influence on production, employment, foreign exchange and government revenues. About 3.0 million acres of land are currently under cocoa, the production of which employs just under one-third of the agricultural labour force. Cocoa exports normally account for 60 per cent of all export earnings.

Over the past decade and a half, however, the cocoa industry has tended to decline to such a point that for the first time in this century Ghana's primacy in world cocoa production is seriously threatened. Thus, the contribution of cocoa to gross domestic product fell from 11 per cent in the 1960s to 8 per cent by the mid-1970s; and the Ghanaian share of world cocoa output declined over the same period from 31 to 21 per cent.

The Ghanaian population—estimated at nearly 10 million in 1975—has been increasing in recent years at a rate of 2.7 per cent per annum. This and the slow rate of growth in output that characterised the 1960s and the first half of the 1970s has meant that *per capita* income has stagnated. Since 1957 real output is estimated to have increased at an annual average rate roughly similar to population growth, so that real *per capita* income in 1975 was no higher than it was at independence. The challenge this poses is increased by the fact that the labour force is estimated to have declined from about 41 per cent of the total population in 1960 to slightly less than 39 per cent in 1970—revealing an increase in the dependency ratio.

Until the 1970s when the commercial farming of grains, notably rice and industrial crops began to be significant, farming was largely the preserve of small-scale peasant farmers. Much peasant farming is traditional and for subsistence so that no more than 50 per cent of agricultural output enters the distribution system. Although agricultural extension services are of 50 years standing, the impact of modern farming practices is still extremely limited and credit and modern inputs are not available to the majority of peasant farmers.

In contrast to agriculture, industry is dominated by modern enterprises. Over the last 10 years, the shares of gross manufacturing output originating from joint ventures and purely Ghanaian-owned ones have grown at the expense of the completely foreign-owned.

The structure of manufacturing activity has changed significantly since the beginning of the 1960s, when it was dominated by wood products and basic import substitution production. New light industries producing largely consumer goods are more important. The manufacturing sector is highly dependent upon imported inputs and equipment, with, for example, in some cases, as much as 80 per cent of raw material inputs coming from abroad. As a result there has been a close relationship between the balance of payments and the level of capacity utilisation.

The single, most important constraint on the growth of the economy is the availability of foreign exchange; so much so that the balance of payments problem has been called the 'achilles heel' of the Ghanaian economy. The structure of the economy is such that growth in output tends to require a corresponding and sustainable increase in related imports. Thus, it is estimated that the realisation of a 5.5 per cent annual growth in output over the Plan period needs an increase in imports of more than 6 per cent per annum. Growth in gross domestic product has to be supported by the importation of investment goods, intermediate goods and some consumption goods, and in the past, the inability to sustain these at the requisite level has limited the achievable increase in domestic output. The policy implications of this are dealt with at several points below. Even at this stage, however, it is worth emphasizing the need to keep import demands to a minimum. In this regard, it is worth noting that in recent years ₵100 million has been spent annually on food imports which—given efficient organisation and incentives—could be produced locally.

In agriculture, the absence of domestic facilities for supplying such things as fertilizers, insecticides and early maturing seeds, has again meant that the success of any serious attempt to significantly increase the country's agricultural capacity depends on a steady supply of modern inputs from external sources.

The strategically important import capacity is a function of export earnings and foreign borrowing. Here a further weakness of the Ghanaian economy lies in the unhealthy dependence on a few primary exports—cocoa (above all), timber and minerals—the earnings of which tend to fluctuate. To date, manufacturing industry—the development of which was financed at least in part by foreign funds—has made little contribution to export earnings, and such manufactured exports as there are largely comprise cocoa paste, cocoa butter and wood products.

The ideal position for an economy is to have such close inter-connection between sectors that success and development in one reinforces performance in others. In developed countries of reasonable size intermediate sales, i.e. exchange of goods between sectors, amount to as much as over 50 per cent of gross domestic output. In Ghana, there is reason to believe that intermediate sales do not amount to much more than 20 per cent, an indication of weak linkages between the sectors of the economy. Thus input-output data for 1968 indicate that domestic agriculture provided only about 14 per cent of the total material inputs purchased

At the managerial and supervisory level, shortage of personnel has been an important factor in the inefficient utilisation of scarce capital equipment. Although the level of management skills among Ghanaians increased during the 1960s there is still a shortage of specialised skills. Thus, in the short- and medium term it will be necessary to train Ghanaians for key positions in the management of the national economy. Until this has been done, inefficiencies in resource utilisation are likely to continue.

In the middle of the 1960s Ghana was characterised by a high degree of capitalisation. It was generally believed that Ghana's capital stock *per capita* was among the highest in the under-developed world. It was then estimated that about 80 per cent of the capital consisted of investments in construction and cocoa. This high rate of capitalisation made it possible for Ghana rapidly to become and remain, until now, the world's single largest producer of cocoa. Recent indications are that the capital stock in cocoa trees has undergone significant depreciation, and substantial new investments will have to be made in this sector if Ghana is to maintain its leadership in production in the 1980s.

In much the same vein the investments made in construction were said to have succeeded in providing the country with an infrastructure considered advanced even by the standards of some developed countr es. The general feeling in the middle of the 1960s was that Ghana was poised to increase production rapidly, by changing emphasis in policy towards investments in the directly productive sectors, and the reduction in the under-utilisation of the capital assets in the country. Due to balance of payments related difficulties, however, the expected take-off was stultified, and the level of new investment declined to a point where it was hardly sufficient to keep the capital stock intact. Today it is estimated that no less than 6 per cent of the GDP should be set aside for replacement, especially for the rehabilitation and maintenance of the transportation infrastructure.

Since the mid-1950s, the economy has been plagued by persistent and growing government budget deficits. In fact, by the mid-1970s the steady erosion of government savings by the combination of rapidly increasing current expenditures, relatively stagnant revenues and the drain on resources by the uneconomic state corporations had led to a situation in which development expenditures have had to be reduced (often to drastically low levels) and/or resort made to borrowing from the banking system with inevitable inflationary consequences.

Part of the explanation of the failure of revenues to keep pace with the growth in expenditure lies in the high dependence on revenues from trade. Import duties and revenue from cocoa exports constitute such a big share of tax revenues, that any fluctuations in levels of trade receipts affect the level of government revenue. Revenue from cocoa alone forms about 26 per cent of total tax revenue, so that the tendency for short booms in the industry to be followed by longer periods of stagnation has a destabilising effect on revenues. The efficiency of tax collection is also, however, at stake

1.2 Recent Performance of the Economy

The pattern and rate of growth of the economy in the last decade or so have been by and large determined by the basic constraints dominant in each period. For analytical purposes, the performance of the economy during the period is best considered under three sub-periods—The period between 1966 and 1968 which represents the stabilisation years of the Government of the National Liberation Council; the period between 1968 and 1971 which represents the expansionary period of the Second Republic; and finally the post 1972 period. Between 1966 and 1968, the thrust of Government policy was directed at the reduction of pressure on domestic resources. These stabilisation and consolidation policies pursued during the period resulted in severe cuts in expenditures and retrenchment of labour especially in the public sector and the restoration of equilibrium in the balance of payments. The outcome of these measures was a decline in economic activity in the country leading to a fall in the Gross Domestic Product by 4.3 per cent in 1966. Thus with the modest recovery in 1967 the Gross Domestic Product at the end of this period was just about the same as it was in 1965. In the process, given a normal growth in population, real *per capita* income was lower in 1968 than it was in 1965. Although one of the objectives of the stabilisation programme had been the restoration of equilibrium in the balance of payments, the structural weaknesses and imbalances in the economy made this unattainable. Persistent trade deficits in the face of high external indebtedness led to a 30 per cent devaluation of the cedi in 1967.

With the launching of the Two-Year Development Plan in 1968, the stabilisation period was brought to an end. The Two-Year Plan was aimed at accelerating economic growth and reducing unemployment which had become a major issue. An important policy instrument in the attempt to achieve these objectives was to promote industrial growth through the liberalisation of imports. Spare parts and industrial raw materials were as a consequence put on Open General Licence. The Government of the Second Republic which took office in the last quarter of 1969, in the main, followed the policies that had been outlined in the Two-Year Plan.

In 1970, the Government took advantage of the rising trend in cocoa export earnings to accelerate the process of liberalisation. This policy together with the expansionary fiscal and monetary policies, however, was confronted in 1971 with a 28 per cent decline in cocoa export earnings, following a sharp fall in world cocoa prices. It is this combination of events which led to the balance of payments crisis in 1971. The current account for the year recorded a deficit of ₵202.4 million which was financed by the use of reserves and a build up of arrears of current payments. The net external reserves fell from ₵38.4 million at the end of 1970 to a meagre ₵18.7 million at the end of 1971. On December 27, 1971, the Cedi was devalued for the second time in less than five years, this time by 44 per cent in terms of the dollar, the effects of which, among other things, led to the change in Government on January 13, 1972.

The new Government revalued the Cedi, reducing the effective devaluation to 26 per cent, reintroduced strict controls over imports, abolished the requirements that most imports be financed by 180-day credits and suspended the payment of outstanding trade credits. Due mainly to the sharp cuts in imports and favourable price developments for Ghana's main exports, the balance of payments made a remarkable recovery in 1972. For the first time since 1958, the current account showed a surplus amounting to ₵143.3 million. The net external reserves rose from ₵18.7 million at the end of 1971 to ₵142.4 million at the end of 1972. There was a further improvement in the balance of payments in 1973 with the current account recording surplus of ₵146.9 million and net reserves rising to ₵235.1 million at the end of 1973.

In 1974, however, due to a combination of factors of both internal and external origins there was a sharp reverse in the balance of payments position. Despite an increase of 15 per cent in export earnings and a series of emergency measures taken in the last quarter to restrict imports, the current account in that year recorded a deficit of ₵212.4 million. The net reserves fell from ₵235.1 million at the end of 1973 to ₵26.1 million at the end of 1974 in spite of heavy short-term borrowings from abroad and a fresh accumulation of arrears on current payments to some ₵30 million in December, 1974. Prominent among the factors responsible for the sharp deterioration in the external payments position were high increases in the prices of imports, particularly oil, and the breakdown in the import licence system. It is estimated that the year 1975 would end with a small surplus on the trade account.

Since 1972, without neglecting industry, the focus of attention has been the development of agriculture. The 'Operation Feed Yourself Campaign', no doubt helped by the weather, has on the whole been successful in raising the tempo of agricultural production generally, though not uniformly. In terms of overall performance, the growth rate of the Gross Domestic Product which in 1972 has been nil, after the high rates achieved between 1969 and 1971, reached a respectable 5.5 per cent in 1973 and 5.1 per cent in 1974. It is expected however, that with the adjustments that followed in the wake of the serious deterioration in the balance of payments in 1974 together with the effects of the slow down in economic activity in the industrialised countries in 1975, there will be a decline in growth in the Ghanaian economy in 1975.

Developments in agriculture in the past five years have been impressive. Agriculture, including livestock registered a growth rate of 4.5 per cent in 1972. The respective rates for 1973 and 1974 were 6 per cent and 7 per cent. Between 1969 and 1974 the share of agricultural production in gross domestic product has averaged 42 per cent; farming and livestock experienced the highest growth. Together, the two increased the contribution to Gross Domestic Product from 25 per cent in 1969 to 28 per cent in 1974. The fisheries sector also showed impressive developments, with an average growth rate of 5 per cent per annum over the period.

TABLE 1.1

Gross Domestic Product by Industrial Origin
(At Constant 1968 Prices)

(₵million)

	1968	1969	1970	1971	1972	1973	1974
1. Agriculture and Livestock	444.00	458.96	499.48	530.83	542.79	592.74	653.73
2. Cocoa	184.45	195.24	212.00	216.42	225.66	198.29	186.87
3. Forestry	63.50	66.92	67.04	69.23	72.23	77.87	72.46
4. Fishing	18.42	38.39	38.61	43.06	54.11	31.22	38.21
5. Mining and Quarrying	42.13	40.10	42.88	43.90	45.57	40.88	37.67
6. Manufacturing	213.80	249.50	264.83	290.24	225.80	274.35	267.98
7. Electricity	16.81	18.27	19.62	20.65	24.53	36.26	40.26
8. Construction	72.89	72.62	88.59	110.61	85.29	99.86	130.20
10. Wholesale and Retail Trade	191.53	209.89	222.48	236.63	222.21	243.00	258.78
11. Transport and Communication	62.60	72.99	79.27	90.00	92.95	97.77	93.74
12. Other Services (including Government)	400.06	377.01	386.88	377.73	387.30	395.85	415.70
Total	1,700.19	1,799.89	1,921.68	2,029.30	1,978.44	2,088.09	2,195.60

TABLE 1.2

GDP BY INDUSTRIAL ORIGIN-PERCENTAGE GROWTH CONSTANT 1968 PRICES

	1968	1969	1970	1971	1972	1973	1974
1. Agriculture and Livestock	—	3.37	8.82	6.28	2.25	9.20	10.29
2. Cocoa	—	5.85	8.58	2.08	4.27	-12.13	-5.76
3. Forestry	—	5.39	0.18	3.27	4.33	7.81	-6.95
4. Fishing	—	108.41	0.57	11.53	25.66	-42.31	22.39
5. Mining and Quarrying ..	—	-4.82	6.93	2.38	3.80	-10.29	-7.85
6. Manufacturing	—	16.7	6.14	9.60	-22.20	21.5	-2.32
7. Electricity	—	8.69	7.39	5.25	18.79	47.82	11.03
8. Construction	—	-3.7	21.99	24.86	-22.89	17.08	30.38
9. Wholesale and Retail Trade	—	9.59	6.00	6.36	-6.10	9.36	6.49
10. Transport and Communication	—	16.60	8.60	13.54	3.28	5.19	-4.12
11. Other Services (Including Government)	—	-5.76	2.62	-2.37	2.53	2.20	5.01
GDP	—	5.87	6.77	5.60	-2.50	5.54	5.15

TABLE 1.3

SUPPLY AND USE OF RESOURCES—AT CURRENT MARKET PRICES

₵'million

	1968	1969	1970	1971	1972	1973	1974
Total Supply ..	2,068.7	2,428.4	2,797.9	3,036.7	3,298.9	4,136.6	5,721.3
GDP	1,700.2	2,000.7	2,259.3	2,500.5	2,815.4	3,501.2	4,660.1
Imports ..	368.5	427.7	538.6	536.2	483.5	635.4	1,061.2
Total Uses	2,068.7	2,428.4	2,797.9	3,036.7	3,298.9	4,136.6	5,721.3
Consumption ..	1,483.8	1,745.3	1,955.0	2,240.2	2,450.2	3,000.8	4,157.5
Private ..	(1,198.5)	(1,460.6)	(1,664.7)	(1,915.7)	(2,095.3)	(2,618.5)	(3,588.2)
Government	(285.3)	(284.7)	(290.3)	(324.5)	(354.9)	(382.3)	(569.3)
Gross Domestic Capital formation	188.8	235.9	319.7	353.2	200.9	316.0	607.8
Gross Domestic Fixed Capital Formation	186.8	195.3	271.4	310.7	244.4	267.8	554.5
Increase in Stock ..	+2.0	+40.6	+48.3	+42.5	-43.5	+48.2	+53.3
Exports	396.1	447.2	523.2	443.3	647.8	819.8	956.0

TABLE 1.4

SUPPLY AND USE OF RESOURCES AT CONSTANT 1968 PRICES UNCORRECTED

₵'million

	1968	1969	1970	1971	1972	1973	1974
Total Supply ..	2,068.7	2,201.5	2,393.3	2,482.3	2,290.8	2,479.1	2,757.0
GDP	1,700.2	1,799.9	1,921.7	2,029.3	1,978.4	2,088.1	2,195.6
Imports	368.5	401.6	471.6	453.0	312.4	391.0	561.4
Total Uses ..	2,068.7	2,201.5	2,393.3	2,482.3	2,290.8	2,479.1	2,757.0
Consumption ..	1,483.8	1,598.6	1,719.3	1,766.2	1,659.0	1,812.9	2,060.7
Private	(1,198.5)	(1,326.9)	(1,459.4)	(1,483.9)	(1,392.3)	(1,549.6)	(1,766.0)
Government ..	(285.3)	(271.7)	(259.9)	(282.3)	(266.7)	(263.3)	(293.8)
Gross Domestic Capital Formation	188.8	217.3	275.6	301.6	150.3	203.3	303.5
Gross Fixed Capital Formation ..	186.8	180.0	230.8	262.4	172.[illegible]	172.3	268.5
Increase in Stock ..	+2.0	+37.3	+44.8	+39.2	-22.4	+31.0	+35.0
Exports	396.1	385.6	398.4	414.5	481.[illegible]	462.9	392.9

TABLE 1.5

Supply and Use of Resources—at Constant 1968 Prices

(Corrected for Terms of Trade)

₵'million

	1968	1969	1970	1971	1972	1973	1974
Total Supply	2,068.7	2,235.8	2,453.0	2,442.3	2,215.2	2,261.6	2,535.2
GDP	1,700.2	1,834.2	1,981.4	1,989.3	1,902.8	1,870.6	1,973.3
Imports	368.5	401.6	471.6	453.0	312.4	391.0	561.4
Total Uses	2,068.7	2,235.8	2,453.0	2,442.3	2,215.2	2,261.6	2,535.2
Consumption	1,483.8	1,598.6	1,719.3	1,766.2	1,659.0	1,812.9	2,060.7
Private	(1,198.5)	(1,326.9)	(1,459.4)	(1,483.9)	(1,392.3)	(1,549.6)	(1,766.9)
Government	(285.3)	(271.7)	(259.9)	(282.3)	(266.7)	(263.3)	(293.8)
Gross Domestic Capital Formation	188.8	217.3	275.6	301.6	150.3	203.3	303.5
Gross Fixed Capital Formation	186.8	180.0	230.8	262.4	172.7	172.3	268.5
Increase in Stock	+2.8	+37.3	+44.8	+39.2	-22.4	+31.0	+35.0
Exports	396.1	419.9	458.1	374.5	405.9	245.4	171.0

TABLE 1.6

Export of Domestic Produce

(₵'MILLION)

	1968	1969	1970	1971	1972	1973	1974
Cocoa Beans	185.6	218.6	300.4	195.1	289.1	344.8	466.4
Cocoa Paste, Cake, Powder	4.5	3.3	3.9	3.5	9.9	8.3	10.7
Cocoa Butter	24.1	24.0	27.3	24.3	29.0	44.2	63.0
Timber (Logs)	16.3	24.1	19.9	20.5	42.3	88.6	64.0
Timber (Sawn)	12.3	15.0	17.1	12.2	21.2	41.8	34.0
Bauxite	1.5	1.4	1.3	2.3	2.7	2.6	3.5
Manganese	10.5	7.0	7.2	6.6	10.1	7.3	10.5
Diamond	17.4	13.9	14.5	11.8	18.6	13.1	14.6
Gold	29.0	29.8	25.7	28.5	50.4	70.1	94.8
Kola-nuts	0.2	0.7	0.2	0.5	0.6	1.6	1.1
Others	35.9	53.0	42.7	43.6	75.5	75.6	69.3
	337.3	390.8	460.2	348.9	549.4	697.4	831.9

TABLE 1.7

COMPOSITION OF IMPORTS

¢'MILLION

	1969	1970	1971	1972	1973	1974
Consumer goods	107.0	126.7	124.6	96.8	146.7	225.0
Non-Durable	(87.7)	(108.3)	(98.0)	(79.5)	(126.3)	(175.8)
Durable	(19.3)	(18.4)	(26.6)	(17.3)	(20.4)	(49.2)
Raw materials, intermediate goods and spare parts	142.0	166.0	173.0	154.4	227.4	378.6
Capital equipment	82.7	102.3	118.8	96.8	105.1	185.7
Fuels and Lubricants	22.7	24.1	26.7	45.3	46.7	154.4
	354.4	419.1	443.1	393.3	525.9	943.7

TABLE 1.8

PERCENTAGE COMPOSITION OF IMPORTS

	1969	1970	1971	1972	1973	1974
Consumer goods	30.2	30.2	28.1	24.6	27.9	23.8
Non-Durable	24.7	25.8	22.1	20.2	24.0	18.6
Durable	5.5	4.4	6.0	4.4	3.9	5.2
Raw materials	40.1	39.6	39.0	39.3	43.2	40.1
Capital equipment	23.3	24.4	26.8	24.6	20.0	19.7
Fuels and Lubricants	6.4	5.8	6.0	11.5	8.9	16.4

TABLE 1.9

Actual Government Revenue (1968/69–1973/74)

₵ million

	1968/69	1969/70	1970/71	1971/72	1972/73	1973/74
I. *Import Duties*	55.9	67.5	104.8	89.0	60.4	92.7
II. *Export Duties*						
(*a*) Cocoa	73.9	113.5	177.5	109.6	91.5	167.2
(*b*) Timber	.6	.7	.6	.8	1.0	8.5
(*c*) Cola Nuts	0	0	0	0	0	103.0
(*d*) Gold Export Levy	—	—	—	—	—	.9
III. *Taxes on domestic Goods and Services*						
(*a*) Cocoa Excise Duties	7.0	11.2	19.0	12.8	11.8	5.7
(*b*) Other Excise Duties	31.4	27.0	29.5	32.4	57.9	53.4
(*c*) Sales Tax and Others	32.6	39.0	42.5	47.1	42.4	39.7
(*d*) Licences and Others	5.9	6.1	2.2	1.5	19.9	—
IV. *Taxes on Income and Property*						
(*a*) Personal	24.0	29.4	28.1	33.0	38.8	48.4
(*b*) Self-employed	—	—	—	—	—	—
(*c*) Companies	29.0	34.9	31.8	31.8	38.5	46.[illegible]
(*d*) Mineral Duty	5.4	3.9	3.0	3.6	19.1	17.7
(*e*) Tax on Rent Income	.6	1.1	1.8	1.5	2.5	1.7
(*f*) Other Taxes on Income and Property	25.4	32.7	52.2	65.0	42.4	77.3
Total Revenue	291.2	366.8	495.6	437.1	396.3	601.9

TABLE 1.10

CENTRAL GOVERNMENT EXPENDITURES (1968/69–1973/74)

¢'million

	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74
Non-Debt	242.9	257.3	277.9	335.8	333.0	414.3
Social Security Contribution, Pension and Gratuity	11.6	13.0	17.9	22.3	39.0	56.4
Interest on Internal Debt	26.0	29.7	30.3	40.6	51.0	60.5
Total External Transfers	9.5	11.3	10.3	3.6	5.0	7.0
Other Capital Payments						
Development Projects	65.3	84.0	108.4	103.8	95.8	169.3
Total Expenditure	355.3	395.3	444.8	506.1	523.8	707.5

TABLE 1.11

ACTUAL GOVERNMENT DEVELOPMENT EXPENDITURE (1968–69—1973–74)

¢'million

	1968–69	1969–70	1970–71	1971–72	1972–73	1973–74
Economic Sector	40.4	48.8	58.0	42.1	53.5	81.4
Social Service	5.0	10.2	15.1	27.0	21.1	33.7
General	19.9	25.0	35.3	34.7	21.2	54.2
Totals	65.3	84.0	108.4	103.8	95.8	169.3

CHAPTER 2

BASIC ISSUES AND CONSTRAINTS

2.1 Basic Economic Issues

Since independence, three basic economic issues have recurred, invariably jointly, and in large measure have served to compromise and at times even to frustrate attempts at promoting economic growth and development.

These are:

(i) the openness of the economy, with its related balance of payments problem;

(ii) the unemployment problem which here is taken broadly to include the question of underemployment, seasonal unemployment as well as the school leaver problem; and

(iii) the tendency for prices to increase rapidly, namely the problem of inflation which given the structure of Government finances becomes a particularly serious threat in periods of poor performance of the export sector.

2.1.1 Openness of the Economy

The Ghanaian economy has long been described as fragile because of its being too open, in the sense that developments in the external sector are of major significance for the overall performance of the economy. The average propensity to import is estimated at about 25 per cent over the 1966 to 1972 period. This by itself, may not be unexpected when it is recognised that in general the average propensity to import tends to vary with the economic size of the country and the degree of specialisation. Thus, generally, speaking, we may expect small (in an economic sense) and/or highly specialised countries to have high average propensities to import and conversely. For example, countries like Brazil, the United States and the Soviet Union have been found to have low average propensities to import. On the other hand, countries like New Zealand, Norway, Belgium, Britain and Ghana have high average propensities to import.

What is more serious in the case of Ghana is our high marginal propensity to import. We estimate that the marginal propensity to import for Ghana is at least 28 per cent. Such a high marginal propensity to import means that income has a strong tendency to spill over very quickly into imports. It also means that the implied GDP multiplier is relatively low. It should also be pointed out that the marginal propensity to import may vary with the sectoral composition of the growth in income.

Thus, in the Ghanaian situation it would seem plausible to argue that an increase in GDP originating from agriculture would lead to a lower marginal propensity to import than an equivalent increase originating from industry. The importance of this observation is that it throws light on the apparent paradox that the import substitution policy of industrialisation led, at least in the short-run, to an increase in our dependence on imports. Finally, we note that the marginal propensity to import is affected by past abstinence of pent-up demand, price expectations and anticipation of shortages. These factors might explain why the import surcharges failed to stem the tide of the import flow in 1970–71.

In order to appreciate fully the nature of the balance of payments constraint on our development effort, it is important to also look at the structure of our exports. Ghana's exports depend totally on a few primary commodities. What is more, for over a decade now, the relative shares of these commodities have varied but little. Cocoa has the biggest share followed by minerals and timber. To be specific, from 1960 to 1972 cocoa's share of total export earnings has been about 60 per cent. Until the timber boom of last year, minerals have held second place to cocoa and with the current trend in gold prices, the expected developments in bauxite and the relatively pessimistic outlook in the timber trade, it would appear the minerals will continue to hold their traditional second place. The overall picture is that our export trade has not seen diversification in commodities or markets—the attempts in the early sixties to find markets outside of the industrialised countries of the West, having been reversed after 1968. It is our extreme dependence on a few markets and on a single commodity with a low price elasticity, (at least in the short-run) both of demand and supply, as well as a low income elasticity in existing markets that lies at the basis of our foreign exchange problems. Various research workers have shown that the price elasticity of demand for Ghanaian cocoa is less than one in the short-run and, it being a tree crop, the supply response to price changescannot be expected to be high either. Given these inelastic demand and supply schedules, weather induced fluctuations in supply or income-induced changes in demand would account for the traditionally extreme fluctuations in the price of cocoa.

Again, various research workers using data over different periods are in agreement that the income elasticity of demand for cocoa in the advanced industrialised countries is less than one—estimates range from about 0.6 for the not so advanced, 0.4 for the more advanced to even negative values for the United States. These estimates imply that given the price of cocoa there is less than proportionate increase in the quantity consumed for a given change in income in the advanced countries, and for the United States there may even be a decrease in consumption. When this picture is viewed against estimates of income elasticity for imports of about 1.15 for Ghana, it becomes clear that our economy must grow by substantially less than the growth rate of the advanced countries' economies to be consistent with external balance. The picture may be worse still if account is taken of the secular tendency for the terms of trade to move against us.

2.1.2 The Unemployment Problem

The objective of attaining high levels of employment is not only based on the social desirability of reducing human suffering and avoiding social and political unrest, but also on the economic reasoning that chronic unemployment represents output foregone and wastage of productive potential. High employment is a necessary though not exclusively sufficient requisite for growth. Years of high levels of unemployment have witnessed low rates of growth in the recent past. The objective of a high level of employment is also based on the belief that effective participation of the majority of the people in the productive process is the optimal means of ensuring a fair and equitable distribution of income in our situation.

The unemployment problem in Ghana is linked with the failure of industry to expand fast enough to absorb the growing labour force. That the industrial growth has not been fast enough is the result of the erratic behaviour of our balance of payments. As the country periodically moves into balance of payments crisis, measures are taken to reduce imports to a level commensurate with our export earnings. When this is obtained not through a selective reduction of imports based on meaningful priority ratings, imports of raw materials and capital equipment may also be adversely affected. The sectors most heavily hit are the import-sensitive areas of construction and manufacturing which are responsible for the employment of a large portion of the labour force.

High levels of unemployment are also linked with the incomes policy of Government. As you raise levels of wages, without reference to productivity, rising production costs occur in industry, reducing their capacity to absorb more labour. The tendency for employers in such circumstances is to enlist high productivity from existing employees instead of employing more hands.

The economy of Ghana like most developing countries is dualistic in the sense of having a large traditional sector side by side with a small enclave-type modern sector. The adoption of policies which ignore this basic structure has led to unemployment in one form or the other. We will distinguish between structural unemployment and frictional unemployment in the modern sector and seasonal unemployment and under-employment in the traditional sector.

(i) Structural Unemployment

This is the type of unemployment caused by technological change, shifts in the composition of demand, the competition by products from other countries with domestic production and by changes in the structure of wages in relation to the pattern of demand. This form of unemployment can be particularly serious in a developing country in which the quest for development is made the quest for modernisation. The promotion of economic activities using imported technology to produce goods and services which compete directly with those produced in the traditional sector could lead not only to the impoverishment of that sector, but also to an increase in unemployment especially among the young. This type of unemployment is often referred to as "the school-leaver problem". The consequences of the accelerated rate of modernisation are that the rate at which traditional skills became outdated is also accelerated. In these circumstances by our adoption of a liberal educational policy, which seems to promise the training and relocation necessary, we have created a situation of an increasingly aged labour force in the traditional sector, and a formally trained (though not in skill sense) and relocated (rural to urban) hard core of unemployable young Ghanaians. It has been estimated that about 120,000 school-leavers are turned out from Middle schools alone each year, and even if the economy were able to provide sufficient jobs to absorb all of these, there would be another facet of the unemployment problem, namely frictional unemployment which we discuss below.

(ii) Frictional Unemployment

This is unemployment caused by normal labour turnover, and increases with the length of time required in changing from one job to another, when job opportunities are not scarce. It has been empirically observed that different age and sex groups in the labour force have different mobility patterns. This type of unemployment occurs more among teenage workers than adults since the former are not so firmly attached to their jobs, perhaps because it takes longer to decide on a profession, particularly in the absence of employment guidance bureaux. An increase in the number of teenagers in the labour force, therefore raises the average frictional unemployment rate. In other words, changes in the labour force can produce changes in the unemployment rate. This is of particular concern in a country like Ghana which is described as having a young population.

(iii) Seasonal Unemployment

This form of unemployment occurs in the traditional sector particularly agriculture where, in the absence of co-operating factors, production is limited to specific seasons during the year. Where, for instance rain-fed agriculture prevails, labour becomes idle during the dry-season, unless it can find compensatory engagements in the other sectors. Also where the conditions under which the traditional worker performs are unsuitable, work becomes irksome during particular seasons. Thus seasonal unemployment represents lost opportunities for increase in output, and may be considerably reduced as the provision of facilities like irrigation, fertilizers and agricultural machinery permit longer periods of land utilisation.

(iv) Underemployment

Underemployment of labour occurs in situations where more hands are involved in a production process than is warranted. It is particularly prevalent in the traditional sector, where as a result of limited exchange, production is mainly geared towards the satisfaction of the immediate consumption requirements of the family. Mention may also be made of disguised unemployment. The extent of this type of unemployment is exposed when there is less than proportionate decrease in output as some labour is withdrawn from the community.

Programmes to be implemented in the agricultural, industrial, handicrafts and other sectors will contribute towards creating additional employment opportunities. As has been mentioned earlier, the private sector will expand at a much faster pace than the public sector and, therefore, will contribute the larger proportion of employment opportunities. Small-scale operators have significant potentials for creating additional jobs. Traditionally, these have been the first step for members of a family seeking to be involved in useful economic activity.

Early in the plan period, a census of Industrial wayside workshop and handicraft establishments will be undertaken to form the basis of a more rational method of devising measures to aid the various economic units. Simultaneously, measures by the financial institutions and relevant statutory bodies and government departments will continue to be undertaken to make these businesses more productive both in output and in the provision of additional employment opportunities. Where appropriate, individual units will be encouraged and given incentives to form themselves into co-operatives in order to reap the benefits of economies of scale.

There are indications that there is a significant level of underemployment in the public sector partly because of a lack of clear definitions of the goals of the establishment and also because of the past tendency to create employment opportunities without any reference to the productive contribution of those to be employed .Public bodies will be appraised and monitored regularly with a view to establishing clear goals for them and corresponding structure and magnitude of resources for their efficient performance. Changing economic and social conditions will necessitate, a constant re-evaluation of goals and resource requirements.

2.1.3 The Problem of Inflation

Inflation is the continuing rise in the general level of prices. Thus defined, inflation may be open or suppressed. Both forms of inflation are important in a study of the Ghanaian economy. In open inflation the tendency for prices to rise is permitted to express itself in the form of an actual rise in the price level. With suppressed inflation, though this tendency is present, it is prevented from producing an actual rise in prices through such means as the imposition of direct controls in the from of governmentally enforced ceilings on the prices of commodities whether locally produced or imported. Inflation therefore is not so much a description of high prices, however measured, but the tendency for prices to continue climbing upwards.

The concern with inflation stems from the fact that in practice different components of prices tend to rise at different rates. Indeed it is commonplace to say that no one would be interested in the problem of inflation if all prices including the evaluation of all assets and of debts, wages and salaries, and income of pensioners rose uniformly. It is therefore the differential impact on the different sections of the population hitting most severely, as it does, those who can least afford it, that underlies the concern with inflation. In this regard, we may note that it is such sections of the population as pensioners on fixed nominal income, wage earners in the non-unionized trades, and unorganised consumers who bear the brunt of inflation. By benefiting debtors and hurting savers or lenders inflation may encourage forms of social behaviour which may be inimical to the promotion of growth and development, especially in situations where interest rates on savings do not rise fast enough to keep pace with the rate of increase in prices. It does promote a philosophy of " live now, pay later", leads to a general misallocation of resources by encouraging investment in physical assets like posh cars, gold trinkets, etc., which may not be directly productive, and to the tendency to hoard goods of consumer nature especially among small savers.

The amount and rate of inflation within the economy derives from the fiscal and monetary policies pursued by the Government and the associated responses from the business sector, with regard to output and productivity as well as that from consumers in terms of their expenditure and savings patterns. Huge budgetary deficits which have created inflationary pressures call for revolutionary discipline on the part of:—

(*a*) Decision-makers and spending departments, ministries and other public bodies.

(*b*) Government by restraining the growth of recurrent public expenditures. Measures mentioned above relate to reducing the extent and pace of growth of government recurrent expenditures.

(*c*) Businessmen in terms of developing more interest in direct, physical production rather than concentrating their efforts in predominantly commercial activities.

(*d*) The banks in weighing their loans more towards physical production than to discounting commercial bills and other practices which have no favourable effect in bringing down the price level.

(*e*) Consumers by being more willing to engage in more savings by curbing consumption but not at the expense of depreciating human capital.

In its suppressed form inflation might manifest itself in the production of shoddy goods, the use of cheaper, less suitable material or in the dimunition of the size or weight of the unit of sale. With the last alternative, price stability is more apparent than real. In addition to such manifestation of inflation frustrating attempts at promoting exports of manufactures and/or encouraging imports of substitutes, the social costs can be formidable. In this regard, one only has to think about the economic costs of providing effective policing of controlled prices in this country.

Given the structure of the Ghanaian economy, the main safeguard against rapid price increases, in the short run has long been recognised to be the ability to increase the volume of imports. In the period of the early 1950s, physical limitations of the then existing ports were considered to place a limit on the extent to which resort can be made to this mode of controlling inflation. By the mid-1960s, these physical limitations had been eliminated though limitations on import capacity remained in the form of inadequacy of foreign exchange.

The proneness of the economy to inflation has its origin in the perpetually growing Government budget deficits and the tendency to finance substantial portions of these by such inflationary ways and means as advances from the Central Bank. In the Plan period, measures for strict control of Government expenditures will be undertaken to eliminate any remaining areas of waste. At the same time the tax collecting agencies will be further strengthened to increase Government revenues without recourse to additional taxation.

2.1.4 Balance of Payments

Under this segment, the main goal of Government is the conservation and efficient employment of the nation's foreign exchange earnings as well as promotion of those sectors which increase its earnings of foreign exchange. The measures to be undertaken will, *inter alia*, comprise:

1. *Agriculture.*—A more vigorous pursuit of the Operation Feed Yourself Programme for the production of enough food of increasing variety and quality to meet domestic requirements as outlined elsewhere in this document. Projects in the agricultural sector include the production of enough raw materials to feed existing and contemplated industries. In this regard agro-based industries will be encouraged and developed. Measures will be undertaken to improve the technology employed in agriculture in order to improve the productivity *per capita* of persons engaged in the sector. Because the majority of those involved in agriculture comprise small-scale farmers, the slightest easily disseminated types of innovation will register tremendous increases in the production of this sector.

2. *Industry.*—A systematic programme will be pursued to reduce existing excess capacity of established industries while simultaneously creating the associated backward linkages with agriculture, forestry and handicrafts industries and exports. The Operation Feed Your Industries is meant to develop the required and desirable linkages with existing and contemplated agro-based industrial establishments.

   The economy imports a substantial quantity of spare parts for the transportation, agricultural, fishing and other sectors. In order to conserve and, if feasible, increase our foreign exchange earnings, a visible spare parts industry will be developed. The basis for this programme already exists and the amount of investment required to implement this programme is relatively less than the associated benefits to the economy.

Through systematic monitoring of the economy, the most optimal technology will be developed or imported in order to improve the overall efficiency of producing units within the economy. In this regard, where appropriate, the requisite intermediate levels of technology will be injected into the various aspects of manufacturing within the economy to improve the output of small-scale manufacturers and those engaged in the production of handicrafts.

3. *Exports.*—Ghana has been party to some recent developments such as membership in the ECOWAS and in the EEC-ACP arrangements. These are avenues which would increase opportunities for exports of both traditional items such as cocoa, timber and timber products, gold, diamond and other minerals as well as the non-traditional exports for whose production Ghana has comparative advantage. More systematic and efficient methods will be explored in terms of increasing earnings of foreign exchange through exports of larger volume, higher quality and greater diversification as to both items and markets.

4. *Service.*—The national shipping lines and airways will pursue policies which will, through increased productivity and efficiency earn the country more foreign exchange. Tourism is a service which has increasingly been resorted to by a growing number of countries as a source of earning foreign exchange. Much as all efforts will be made to exploit the resources of this industry, simultaneous vigilance will be exercised to minimize ecological, social and other hazards which tourism seems to generate when not properly programmed and monitored.

5. *Establishment of Businesses.*—Procedures for the establishment and conduct of business, contrary to the spirit of official regulations and procedures, are slow, cumbersome and wasteful of valuable resources. As mentioned earlier, the various procedures will be examined, with the assistance of the business community, to make them stimulate and expedite business transactions. The goal is to reduce bureaucratic and formal procedures to the barest minimum consistent with the desired stimulus to business activity.

6. *Import Licensing.*—The procedure for the allocation of import licences has led to developments in the commercial and industrial sectors of the economy which conflict with stated national goals. The allocation of import licences plays a crucial role in every aspect of the nation's economic development. Therefore, strict programming will be undertaken to ensure that only those aspects consistent with national economic priorities and goals will be encouraged. As the external conditions of trade change, businessmen must expand their search into wider markets. The coming

into existence of the ECOWAS and the EEC-ACP arrangements create additional opportunities which expose the greater gains that arise from exports as compared with the traditional orientation of businessmen towards import trade. The issue of import licence will be weighted heavily in favour of businesses which contribute net benefits to the foreign exchange situation of the economy.

Various procedures undertaken by both the private and public sectors for imports are disorganised and inefficient. These procedures will be scrutinised with a view to devising more rational measures, including bulk procurement to minimise losses and reduce waste in the use of foreign exchange.

2.2 Constraints

The successful implementation of the economic development plan will depend, to a large extent, on a thorough identification of the constraints within the economy and a simultaneous and systematic programme of action to reduce their effects and ultimately eliminate them. The very process of economic development will generate additional constraints and may further compound and make existing problems more intractable and thereby slow down the pace of growth. Within the Ghana economy, the most important of these constraints comprise the following:—

2.2.1 Input delivery system

Experience has demonstrated that the machinery for the delivery of inputs to all sectors of the economy, whether these are imported or locally produced, is very weak. It is often inappropriate and, therefore, ineffective especially in reaching the relatively small operators. Part of the problem arises from the inefficient methods of importation, clearing of goods from the ports and transportation facilities for the speedy delivery of these items. These problems are compounded by poor operational planning and the lack of effective co-ordination between the various units within the same department, ministry or corporation and between various institutions whose services are complementary to each other. The problem of weak and ineffective input delivery system is particularly severe in the agricultural sector where the inputs include fertilizers, improved seeds, seedlings, breeding stock, insecticides, spraying machines and extension services. On account of poor operational planning some of the inputs might not be available, the quantities are insufficient and are not delivered in time for their effective employment.

2.2.2 Institutionalised Credit

A majority of the small operators in both industry, agriculture and most of those in handicraft production have very limited access to any assistance from institutionalised credit institutions. Most of these small operators, especially in the rural areas, depend entirely on the local money-lender whose interest rates on loans range as high as between 50 per cent and 100 per cent. In many cases, the farmer or fisherman has to mortgage his produce in advance and often at predetermined relatively low prices. The problems in getting the services of institutionalised credit to the small operators are many. In the first instance, the banks insist on highly formal requirements from prospective borrowers and the procedures for the approval of loans are very time consuming. The facilities for loan administration and recovery are not disseminated enough throughout the rural areas and the associated costs to the banks increase rapidly when they deal with relatively small and illiterate operators. However, the main problem is that the banks have not been innovative enough and have therefore preferred the relatively secure and easy operations associated with large operators and firms within industry and commerce.

2.2.3 Evacuation, Storage, Processing and Marketing

Similar to the problem of inefficient input delivery system, the whole process of getting outputs from locations of production to areas of processing and consumption is inefficient. Part of the problem arises from the very monitoring techniques and hence poor operational measures undertaken in anticipation of the volume of goods or products to be evacuated. Where the volume of output is known in advance, transportation facilities have been inadequate. Farm level storage facilities are often non-existent or, at best, have been inadequate to hold stocks until their transportation can be effected. There are no processing facilities at the site of production which can be used in the preservation of products as well as create additional economic opportunities for the communities involved. These constraints have often created disincentives for increased production and in some cases, inducements for their being smuggled out of the country.

2.2.4 Pricing

Prices and subsidies are signals, and influence the rationing of effort by the individual in his attempt to reap the maximum benefit possible. Producer prices have, from time to time, been announced for various agricultural products in an attempt by Government to create incentives for higher levels of productivity within the agricultural sector. Although the desired effect is created and there have been tremendous increases in the production of maize and rice, the records reveal that these increased outputs seem to have been offset by a reduction in the output of other crops. There is a need to undertake a thorough investigation of the whole pricing mechanism so as to formulate prices which would produce the desired results.

2.2.5 Management and Skills

The implementation of any economic development programme poses management problems. Without the right volume and structure of management and skilled personnel the economic development plan cannot be effectively implemented. There is a shortage of middle level manageper cent and 100 per cent. In many cases, the farmer or fisherman has to mortgage his produce in advance and often at predetermined relatively low prices. The problems in getting the services of institutionalised credit to the small operators are many. In the first instance, the banks insist on highly formal requirements from prospective borrowers and the procedures for the approval of loans are very time consuming. The facilities for loan administration and recovery are not disseminated enough throughout the rural areas and the associated costs to the banks increase rapidly when they deal with relatively small and illiterate operators. However, the main problem is that the banks have not been innovative enough and have therefore preferred the relatively secure and easy operations associated with large operators and firms within industry and commerce.

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2.2.5 Management and Skills

The implementation of any economic development programme poses management problems. Without the right volume and structure of management and skilled personnel the economic development plan cannot be effectively implemented. There is a shortage of middle level management and skilled personnel in the system which often leads to a misallocation of valuable resources as fairly high level management and skilled personnel combine with their normal responsibilities various tasks which could easily be undertaken by supporting staff. This constraint leads to the problem of non-delegation of responsibilities and inertia or inactivity, when the head of the operation is absent because he has to take all the decisions related to the operation of department or institution.

2.2.6 Technology

The technology employed in many processes, especially by the average farmer and the small processor at the village level within the rural areas or the fringes of the urban centres is usually obsolete and hence is reflected in very low productivity *per capita*. The tedium involved in the use of this type of technology is worsened by the relatively low returns to effort which create disincentives for the youth to be interested in the associated economic activities. Although some modest efforts are being made by the Techonlogy Consultancy Centre at the University of Science and Technology, Kumasi, there is a need for a thorough investigation of the processes and techniques involved in all the important traditional economic activities in farming, processing of agricultural products into oils and other edible products, the preservation of foodstuffs, handicrafts and the repair and maintenance of machinery and equipment. This will help evolve and develop the appropriate technology which can help create reasonable self-reliant communities enjoying progressively better standards of living.

2.2.7 Data and statistical base for decision-making

Most operational organs such as departments, ministries and corporations have very weak and, in some cases, non-existent data bases to aid them in planning, plan evaluation and decision-making. An aspect of this problem is seen in some instances over several years. With the flow of very poor information or the absence of such flows, policies and programmes are *ad hoc* and very difficult to assess in the context of the purposes meant to be achieved by the institution. In some instances, the very poor data base contributes towards an inability to establish clear goals, functional or operational division of responsibilities and the associated personnel and supporting services required for efficient performance for the achievement of the over-all targets for which the institution was set up.

CHAPTER 3

PLAN OBJECTIVES, PRIORITIES AND STRATEGY

3.1 Goals and objectives

The aim of the plan is to build an independent national economy, firmly structured on the resource potentials of our land and the culture of our peoples in the context of the stated Government principle of Self-Reliance. Planning will thus be directed to the expansion, in the shortest possible time, of the total amount of real resources in order to create a strong and progressive society based on equal opportunity for citizens; a society in which the individual can attain his highest level of cultural and spiritual development and where the institutions of society will assure him freedom and justice.

The approach to planning being advocated here, is based on the firm recognition of the fact that while the achievement of growth and the uses to which it is put are interdependent, they are logically and factually separate. Failure to recognise this distinction may lead on the one hand to what has come to be known as "growth without development" in which the development of an already privileged and well-off minority is obtained and supported by the sacrifice of the majority to whom the high growth rates recorded represent meaningless statistics. The problem becomes worse still where these privileged classes do not even recognise this fact and the consequent need for them to make contributions commensurate with their status in the community. On the other hand, failure to insist on the need to devise appropriate policies to deal with these separate aspects of the planning effort can lead to the equally undesirable problem of "development without growth" where what little improvement is achieved in the living conditions of the great mass of the population is arrested because the real resource-base has failed to expand fast enough to provide the necessary surplus to sustain further improvements. What is clearly needed for meaningful development is to devise suitable policies which will lead to the attainment of as rapid an increase in *per capita* production as is possible with, at the same time, the avoidance of inflation and balance of payments crises while expanding the economic opportunities for Ghanaians in all fields of endeavour.

In the final analysis, the end of planning is to secure a higher and ever-increasing level of living for the individual. It is consequently imperative to devise ways and means of involving all Ghanaians in the developmental process. In this regard, it may be noted that there is ample evidence of the willingness and readiness of the Ghanaian to adopt and implement new ideas, so long as such ideas work, not merely in a technological sense, but also, and more importantly, in the sense of making him better off economically, either by reducing the effort necessary to obtain the same real income, or by increasing his real income for the same effort. This implies that incentives, both direct and indirect, can be relied upon in our strategy to expand the real resource—base of the economy. In other words, we do not have in Ghana the problem, reported elsewhere, and said to be due to factors deeply rooted in the social fabric, whereby people will not use improved methods of production even where such methods have been shown to make them better off. On the contrary, in Ghana, by following policies which ensure that an individual's effort is visibly rewarded by way of the actual or potential means of improving his standard of living, we would be releasing a potent dynamic force for the progressive transformation of the nation.

Over the plan period the main objectives of development, as far as resource availability will permit, will be as follows:

(i) accelerating the growth of real gross domestic product.

(ii) as a long-term goal, full employment of all the nation's resources, human and natural;

(iii) equitable distribution of income in terms of equal access to employment and productive opportunities;

(iv) the maintenance of the internal integrity of the cedi through the control of rapid inflation;

(v) the promotion of national economic independence in terms of creation of effective links between sectors of the economy so that development becomes mutually reinforcing;

(vi) minimizing the strangulatory hold of the balance of payments constraint on the national economic and social reconstruction effort.

3.1.1 Economic Growth

In a developing country like Ghana a primary goal of planning is to expand, in the shortest possible time, output *per capita*. This implies that output must grow faster than population. Expanding output is a means of and prerequisite for the attainment of economic and other fundamental goals. It makes it possible to improve the standard of living of present and future generations. Competing demands for higher income can be most easily reconciled when total output is expanding. Economic growth, however, while essential, is not synonymous with economic development and is by itself insufficient to ensure it and like any other major goal can after a point be achieved only by increased sacrifices of the others.

3.1.2 Full Employment

One of the primary long-term goals of planning in Ghana is the achievement of the full employment of all the nation's resources both human and material. In practice, this means striving to reduce the level of unemployment of labour, a steady reduction of excess capacity in industry and an increasingly productive use of our land, water and other natural resources. This is a prerequisite for a successful policy of raising levels in the living conditions of Ghanaians without social unrest and political instability. Ghana can hardly afford the resource waste and loss in economic opportunities that are implied by high levels of unemployment, the existence of significant excess capacity and misuse of our water, land and other natural resources. Social justice demands that we should strive to provide job opportunities for all Ghanaians who are able and willing to work. For the unemployed, being without a job means not only a loss of income, with consequent hardship for the family and the possibility of losing self-respect, but also the development of a sense of personal failure and perhaps, even a feeling of loss of social standing in the community.

3.1.3 Income Distribution

For countries at an advanced stage of economic development poverty signifies a deviation from the average, a kind of social pathology. In a developing country like Ghana, however, poverty no matter how measured, is the state of affairs and the set of conditions under which the overwhelming majority of the people are at present compelled to live. Here, scarcity is absolute not relative, and the problem is essentially structural. No redistributive mechanism would assure an acceptable level of living for the population as a whole. The fact is that total growth is insufficient and *per capita* income very low. Ours is not a problem that would lend itself to treatment by methods of social welfare. The quest for a fair and equitable distribution of income and wealth in our circumstances must be sought primarily in the provision of gainful employment for all Ghanaians who are willing and able to work. There will always be the problem of how to distribute gains unless the intended beneficiaries of such gains are involved in the process of producing them. It must also involve the use of state power to attack those forces in the society which work against the attainment of just rewards for the efforts made. Prominent among these are such social evils as nepotism, bribery and corruption and a land tenure system that needs overhaul.

3.1.4 Reasonable Price Stability

The desire for the maintenance of reasonable price stability is primarily the desire for the avoidance of sustained, even if moderate increases in the general price level, and certainly of rapid increases even if of limited duration. It is a desire to uphold the internal integrity of the Cedi, based upon the effects that result from inflation. Among the most serious consequences of inflation may be cited the arbitrary and regressive changes in the distribution of wealth and income, the distortion and waste in the allocation of resources, the possible slow-down in economic growth which may result from the discouragement of savings, increasing pressure on the balance of payments, and the tendency of inflation to feed on itself and thus become even greater, leading eventually to complete collapse. From the point of view of social justice, the involuntary redistribution of real income and wealth is of most concern, and as a consequence, even mild sustained increases in the price level are considered unacceptable unless the cost of avoiding these in terms of other equally vital goals prove excessive.

3.1.5 Maintennuce of a reasonable External Balance Position

By this goal, we do not advocate a balanced external position on an annual basis, or even over the whole plan period. Under this goal the country may tolerate balance of payments deficits consonant, with our ability to obtain foreign assistance, without undue compromise of our national integrity, sovereignty and declared foreign policy. This goal assumes special significance because of certain developments both present and past. Data compiled by the United Nations E.C.A. indicate that Africa's share of total assistance to developing countries has shown a persistent tendency to decline over the decade. In addition to the declining share, it is reported that aid to Africa fluctuated more than to any other developing region. Recent changes in the external balances of traditional donor countries and the predictions of deceleration in economic activity in these countries which are both attributed in part to the energy problem would make the quantity and source of future aid most uncertain. To all these must be added Ghana's own declarations as to the type of aid and the terms under which such aid would be accepted.

3.1.6 Promotion of National Economic Independence

It has often been said that we will not find the true meaning of our political independence until we have achieved economic independence. Such independence should include capturing of the commanding heights of the economy by Ghanaians and ultimate independence from foreign aid. It is conceded that working towards this goal may mean, in the short run, a lower level of foreign investment in Ghana than could be the case. Economic independence in food and other essential consumer and investment goods, however, is important not only for balance of payments reasons but also, and more importantly, because a country so dependent, runs the risk of collapse if not extinction in periods when such imports have to fall drastically due to circumstances external to it. Where capital equipment has been laid down and methods of production established, it is often extremely difficult to quickly re-orient production to rely on less imports and more local substitutes as our experience clearly shows. The excessive fluctuations in the prices and outputs of our limited number of export commodities, the ever-present possibility of suspension or withdrawal of aid for political or other reasons, would mean the almost certain dislocation of policies aimed at achieving ultimate economic independence. In the short run, policy should be directed towards the provision of local substitutes for any goods which are currently being imported and whose consumption cannot be postponed without severe damage to life or to the country's own ability to produce. In the export sector, we should direct our efforts towards the diversification of the commodity base in order to alter our dependence on cocoa, as well as to seek new markets, particularly, in the developing world, since the *per capita* consumption of our primary export commodity has a secular tendency not to rise as fast as *per capita* incomes in the consuming nations. Such a diversification in our export market structure should also minimise the adverse effects of the fluctuations in prices.

3.2 Macro-Economic Framework and Policies

During the five years of the Plan, real Gross Domestic Product is expected to grow at an annual compound rate of 5.5 per cent. In constant 1968 prices, it is expected to rise from ₵2,324.1 million per annum in 1974/75, the eve of the Plan, to ₵3,037.5 million per annum in 1979/80, the last year of the Plan.

Since the preparation of the *Guidelines for the Five Year Development Plan*—1975–80, more concrete information particularly for 1973 and 1974 has become available. With this information, some of the parameters used in the original projections have been revised not only to reflect post 1972 developments, but also to incorporate the effects of new directions of Government policy. Further, in order to facilitate the translation of the Plan into annual Budgets, the projections are presented in this document in fiscal (July 1–June 30) rather than the calender years as in the earlier document.

In constant 1968 prices, it is estimated that in the next five years total recorded investment of ₵2,192.3 million would have to be made in order to sustain the overall and sectoral growth targets envisaged This volume of recorded investment has been arrived at from estimates of the requirements of the various sectors of the economy. In preparing these, attempts were made to build up estimates of capital requirements, sector by sector. However, data limitations made it necessary to aggregate the sectors into four broad groups. These were *Agriculture*, broadly defined to include livestock, Cocoa, Forestry and Fisheries in addition to crops; *Mining and Quarrying, Manufacturing and Construction, and Services* defined here to include Transport and Communications, the Distributive Trades, Government and Other Services. The details are presented in Table 3.4 below.

For Agriculture so defined, it is estimated that for a ₵1.00 increase in real output about ₵1.5 of fixed investment would be required. For Mining and Quarrying the corresponding investment requirement is estimated at ₵2.3 whilst for Manufacturing and Construction combined, the relevant fixed investment amounts to ₵3.5. Finally for the Services, it is estimated that about ₵4.00 of fixed investment will be required over the Plan period in order to raise real output measured in constant 1968 prices by ₵1.00. The implied incremental capital output ratio for the economy as a whole is 2.95 : 1

These estimates of sectoral requirements of real fixed investment are deemed necessary to sustain the targets of the Plan in spite of indications of idle capacity within some of these sectors. Analysis of the evidence, however, reveals instances in which new investment will have to be made in order to make more effective use of existing capacity. This, for example, is the case where bottlenecks exist at an intermediate processing stage. A potentially serious example of this is the inadequacy of spinning capacity, adequate weaving capacity and a massive effort at cotton growing under the Cotton Development Board. Investments will have to be made especially in such and similar cases in order to accelerate the process of forging effective backward linkages between industry and agriculture so as to make the Operation Feed Your Industries Campaign meaningful. There are other instances in which given the foreign exchange constraint, idle capacity in the sector is unavoidable until new investments are made for the production of the intermediate inputs required in that same sector. Mention must also be made of the serious problems of capacity utilisation created by organisational inefficiency and wrong locations. Furthermore, new investments have to be made where possibilities for export have been identified in order to earn the foreign exchange that will make the use of existing idle capacity possible.

General Government which includes Central Government as well as the Regional, District and Local Councils is expected to contribute about one-third of the total recorded investment over the next five years. This leaves about two-thirds or what amounts in constant 1968 prices to a little over ₵1,400 million of fixed investment to be financed by the Non-Government sector comprising the Public Boards and Corporations, the Joint State/Private and the purely Private Sectors.

These estimates of real investment requirements exclude the direct and largely unrecorded investments which are made in the economy. These latter are financed from reductions in the consumption of leisure and assume various forms. They include work done by individuals on their own property by way of building, extension, repair and improvement. In Ghana, a substantial amount, indeed the bulk of the existing capital stock in Agriculture has been created and maintained in this way. Estimates made in the early 1960s show that at least 30 per cent of the then capital stock in the economy including the entire productive stock in the cocoa sector belonged to this category.

To these individual efforts, must be added community work in the creation of social capital. Such work includes Self-Help Projects in feeder road construction, the building of schools, clinics, community centres, drains, dams and other water and soil conservation projects including reafforestation. Government policy over the Plan period will continue to foster and further expand such activities by the provision of technical as well as material inputs. Great importance is attached to the involvement, particularly, of the youth in such projects not only as a means of building capital, but also because such direct participation in the development process helps to release those dormant forces in the economy without which real development will, at best be a painfully slow process, if not an impossible task.

Table 3.1 shows the planned supply and use of resources in constant 1968 prices uncorrected for terms of trade. Tables 3.2 and 3.3 present similar information in nominal terms and in constant prices corrected for terms of trade respectively. The Gross Domestic Product, as noted above, is expected to grow at an annual rate of 5.5 per cent and represents domestically produced goods and services. The sectoral composition of the Gross Domestic Product is presented in Table 3.5

As far as imports are concerned, policy over the next five years will be aimed not so much at the reduction in absolute terms as the reduction in the expenditure on imports for a given increment in income. The successful implementation of this policy, which will be pursued particularly through the Import Licensing system, is crucial to the success of the overall programme of action envisaged in the Plan. In particular, it would make it increasingly possible to provide gainful employment for unemployed labour and more meaningful employment for the under-employed and the seasonally unemployed. Failure to achieve this objective would mean that the absorption of such labour into wage employment for the formation of productive capital would, in our circumstances, run the risk of generating inflationary pressures. The observed slow or negligible short run response of production to increases in effective demand means that though human resources may be under-employed or unemployed, adding to production requires directly or indirectly taxing the rest of the community, or getting extra voluntary savings, or borrowing from abroad or persuading people to work for the national good and without remuneration. The details of the projections of the import requirements are presented in chapter 5 below.

Private consumption is by far the greatest use to which resources are put. Annual rates of growth in private consumption expenditure have tended to fluctuate in the last couple of years. In 1972, for example, it is estimated that private consumption per head of population actually declined by about 5 per cent. On the other hand, private consumption expenditure per head is estimated to have grown by over 7 per cent in 1970. On the basis of a population growth rate of 2.7 per cent per annum, and bearing in mind the need to provide from domestic sources the resources to finance further development, private consumption expenditure is expected to grow at 5 per cent per annum implying a growth rate in *per capita* consumption of a little over 2 per cent a year. Further, domestic production of agricultural and manufactured goods and services is expected to play an increasing role in catering for private consumption thereby to steadily reduce the import content in this category of expenditure.

The persistent tendency for Government consumption expenditure to outstrip revenue collections is viewed with disquiet. This phenomenon is largely due to the considerable slippage in the control of expenditure on the recurrent Budget. To this must be added the costs arising from lack of synchronisation of capital and recurrent estimates which might result from the holding of separate hearings for development and current Budgets by different teams of public officials from the Ministries of Economic Planning and Finance. Steps will be taken early in the Plan period to eliminate waste, reduce costs and to effect greater co-ordination of the activities of these and other Ministries for a more effective management of public resources. As part of this exercise, low priority and ineffective programmes will be eliminated whilst extra resources will be made available for the early completion of high priority projects. The use of public resources is considered wasteful not only when it is unproductive but also when such inadequate provisions are made as to cause long delays in completing the project so that the benefits can accrue to society. Taking all these considerations into account, Government consumption expenditure is expected to increase at an annual rate of 4 per cent over the next five years.

The effects of these measures on the savings effort are shown in Tables 3.1 and 3.3. A comparison of the savings ratio in these tables reveals that if the effects of the expected continuing deterioration in the terms of trade are not allowed to show in reduced real consumption, then the savings ratio will level off at about 17 per cent by the close of this decade. Such a comparison also throws some light on the loss in effort resulting from the adverse terms of trade expected in the years ahead.

Gross domestic capital formation or to be exact, recorded investment is expected to total just over ₵2,109 million in 1968 prices over the plan period. Table 3.4 below gives the breakdown of total investment for four broad categories for each year of the plan. The table shows that for Agriculture recorded investment amounting to ₵422.2 million and representing about 20.1 per cent of the total is expected to be made over the Plan period. This high share of investment in Agriculture represents the continuing top priority that Government attaches to the sector. In the next few years heavy injections of capital ranging from simple agricultural tools to tractors, combine harvesters and irrigation works are expected to be made in support of the Operation Feed Yourself and Industries Campaigns.

As far as Mining and Quarrying are concerned, new investments are expected to be made in expanding existing mines, rehabilitating others, and reactivating those which were abandoned but which under present conditions have been shown to be viable.

In support of the roads rehabilitation and expansion programmes new quarries are expected to be opened up as a means of reducing construction and maintenance costs of roads. A total of ₵28.5 million in constant 1968 prices is expected to be spent on fixed investment in the mining and quarrying sector.

The Manufacturing and Construction sectors taken together are expected to get the largest share of the expenditure to be made on fixed capital formation. It is expected that about ₵837 million representing nearly 40 per cent of the total expenditure on capital formation will be made in these two areas. The investment in the Construction sector will include expenditure for the acquisition of equipment for expanding construction capacity which particularly in recent years has been found to be grossly inadequate for the task. In the Manufacturing sector, investment will be concentrated in three main areas. New investment will be encouraged in order to support production for export especially light consumer goods that have been shown to have a ready market in West Africa.

Secondly, new investment will be encouraged in the area of intermediate goods production such as yarn for the textile industry as well as those other areas that will accelerate the process of linking industry with agriculture, including initially, local packaging of fertilisers and the production of simple farm-implements.

Finally new investment will be encouraged in the metal goods industry particularly the manufacture of spare parts whilst in the area of goods for immediate consumption, capital expansion or the establishment of new capacity will be permitted especially where the raw materials requirements are obtainable from local sources.

As far as expenditure on fixed investment is concerned, the Services are next in importance to Manufacturing and Construction. In constant 1968 prices about ₵816.6 million, equivalent to 38.8 per cent of total investment expenditure will be spent in this area. This expenditure includes payments for the construction of clinics and health posts, rehabilitation of existing schools and the provision of more school places for the growing number of children in the relevant age groups. The provision of these and other social and welfare facilities and their fair distribution between Regions and among localities within Regions are considered key factors in the evolution of a just and an egalitarian society of One People, One Nation and One Destiny. A considerable share of the expenditure in this sector is also expected to be made for the provision of storage, both on and off farms, warehousing and other marketing infrastructure in the Distributive Trades. Emphasis will be given to the programmes of trunk roads maintenance and rehabilitation and the expansion of the feeder road network to more effectively link producer with consumer. Investments will be made in the Railways to enable this mode of transportation to play its proper role in the task of transporting goods and passengers in the country and reducing the waste of resources consequential to the inevitable but regrettable misuse of our roads by heavier axled vehicles than the roads have been meant to carry. Expenditures will also be made to provide the necessary infrastructure and to increase the fleet of barges, ferry boats and other water-craft for the more effective use of our inland waterways. Furthermore, injections of capital will be made to provide the nation with a more efficient and effective telecommunications network. The Radio and Television services will be given the necessary support for the acquisition of equipment necessary to enable the Ghana Broadcasting Corporation to extend its activities and to improve its Services.

The final major category of use to which resources are put is the expenditures that foreigners make for the acquisition of our resources. From the domestic point of view these constitute our export earnings. Normally, the value of exports reflects both conditions of supply in this country and conditions of demand in the economies of our major trading partners. In reality other than climatic factors on the supply side, the major determinants of the real value of our exports are the prevailing conditions in the developed countries. The projections of export earnings in Table 3.1 reflect, in the main, conditions of supply whilst those in Table 3.3 may be said to reflect the dominance of conditions in the advanced countries. The projections are summaries of the more detailed ones which are presented in chapter 5 below. A major feature of these projections which is of great concern to Government, is the expected continuing deterioration in the terms of trade, due to the deceleration in the tempo of economic activity in the industrialized countries, on the one hand, and pessimism as to the ability to effectively contain inflation and the prices that we will have to pay for imports on the other.

The modification involved first of all the re-grouping of the 32 sectors in the original table into 16 and adjustments of the co-efficients to reflect changes that have taken place as well as those expected to result from the policies to be followed during the Plan period. By inverting the final matrix, it was then possible to estimate the growth rates of the producing sectors to sustain assumed growth rates of final demands. The projections, are based on a modified version of an input-output table of the Central Bureau of Statistics. Wherever necessary, adjustments have been made in the final product to reflect policies and programmes included in the Plan.

Gross Domestic Product originating from the Agriculture and Livestock Sector is planned to increase at an annual rate of 6 per cent over the Plan period. This rate of growth is considered both feasible and necessary. The strategy for development to be pursued over the next few years rests crucially on the successful evolution of a cheap food policy as well as increasing the supplies of agricultural raw materials for the agro-based industries. Highlights of the agricultural programme include the consolidation of the success achieved under the Operation Feed Yourself Campaign, the raising of productivity through the use of a more effective research and extension services, and the production of more nutritious foods, particularly of protein. The latter involves in particular increasing use of the Volta Lake to supplement marine sources of fish. Another highlight of the programme is the planned increased production of inputs like rubber, cotton, oil palm and other oil seeds. The cocoa sector is expected to reverse recent trends and to grow at an average rate of 2.5 per cent per annum over the next five years. Given that world production of cocoa is expected to be growing at 2.4 per cent per annum, the achievement of this growth target will enable Ghana to increase her share of world production and recapture recently lost ground. This is necessary if Ghana is to realise the full benefit of the International Cocoa Agreement. Estimates of the productive capacity in the cocoa sector show considerable variability. What is clear, however, is that with more effective husbandry and reduction in smuggling activity the growth target will be achieved, barring abnormally adverse climatic developments.

From an examination of existing potential and expected expansion in the use of timber, both at home and abroad, and the heavy investment contemplated in the area of transport and communications to smoothen evacuation, a growth rate of 5 per cent per annum is expected in the forestry sector. Increased production is expected to come particularly from the gold and bauxite sectors, while manganese is expected to hold its own. Some increase in diamond production is expected from the operations of the licensed African Diggers. If, in addition, negotiations for bauxite mining should lead to the commencement of operations at Kibi and Nyinahin, during the period, an added boost could be given to the sector. Mention must be made also of the possibility that exists in the area of iron ore mining especially at Oppong Manso. Output from the quarries is also expected to improve significantly in the near future.

The manufacturing sector is expected to grow at an annual rate of 7.5 per cent with significant increase expected in the area of metals fabrication, chemicals, textiles and food processing. As part of the export drive, wood processing projects as well as improved finishing for textiles will be given high priority. In support of the agricultural programme it is expected that a plant which initially would package fertilizer into suitable units for quick and effective distribution to farmers will be commissioned early in the plan period. In addition, studies are at an advanced stage for the setting up of a bitumen plant based on the by-products from the petroleum refinery at Tema. Other areas of manufacturing in support of the agricultural programme include the production of farm implements like cutlasses and matchets. The need for increasing the domestic content in the housing programmes requires the stepping up of the tempo of activity in the production of bricks and tiles as well as wood panels and frames. Another area of improving the linkages in the economy would be the setting up of foundries leading ultimately to the production of iron rods for the construction sector and machinery and vehicles spare parts for the transportation sector.

A major aspect of this plan is the emphasis that will be given to rehabilitation and consolidation. In recent years, the major trunk roads in the country have deteriorated to a point where for fairly extensive stretches ordinary maintenance has become ineffective. It will be the policy of Government to give renewed emphasis to maintenance and rehabilitation programmes, even if this be at the expense of expansion. What is true of the roads, is unfortunately also true of many of the buildings and structures in the country, and again, like the roads, the thrust of policy will be rehabilitation and maintenance. The requirements for production in the various sectors of the economy will depend on an accelerated growth in output in the construction sector. It is expected that this sector will grow at an average annual rate of 12 per cent over the five years of the Plan.

The distributive trades which encompass wholesale and retail activities in the country are expected to grow at an average rate of 6 per cent over the Plan period. A key feature of developments in this sector will be the encouragement of activity away from the distribution of imported items and more towards marketing of local produce. The extreme bias in this sector towards imported items to the neglect of domestic production is undesirable. The fact is that the distribution of local agricultural products appears to be largely operated on traditional lines and to have lagged behind the modernisation which has taken place in the marketing of imported items and local manufactures. Another feature of the sector is that it is overcrowded with large numbers of petty traders and pedlars creating a situation of low productivity and underemployment. Table 3.5 presents the sectoral composition of GDP resulting from the growth rates given above.

3.2.1 Macro-economic Policies

These include fiscal policy which deals with taxation and expenditures by Government, monetary policy which deals with the growth of liquidity and its effect on production and prices, and exchange rate policy which deals with the external value of the cedi.

(i) Fiscal Policy

Fiscal policy, like the other macro-policies, is a major indirect way in which Government promotes one or more of the goals of society. Since a higher savings rate is generally considered as an important ingredient for the achievement of higher growth rates, it is necessary to use fiscal policy to promote an increased savings effort. A pre-requisite for this is to ensure that the tax system does not become punitive or a disincentive to work. It is also necessary to maintain a relationship between Government spending and revenue as would not call for modes of financing that will generate inflationary pressures and decrease the real return on savings. The tax system should also encourage those productive sectors which make satisfactory and highest contribution to the economy on the basis of net social benefits rather than private benefits.

As far as Government spending is concerned, it is recognised that the need for increasing recurrent expenditures in the provision of the social and economic services which are a pre-requisite for expansion should be balanced by the need to keep inflation under control. As for the development budget, the key consideration in determining its size has been the number and types of projects with an attractive social rate of return.

In order to promote employment, fiscal policy will be used to encourage the adoption of more labour intensive techniques in both the public and private sectors. To the extent that labour intensity is determined by the price ratio of labour and capital, Government will keep a close eye on any implicit or explicit subsidies and costs on factors of production inherent in the system. In particular, tax incentives pegged to the labour force employed will be given serious consideration.

In as much as education is almost entirely financed by Government, expenditures on education will be used more systematically as an instrument of manpower policy—preparing the youth more adequately for work that can and should be done by Ghanaians in Ghana.

The supportive services to production which are provided by Government will be used selectively to promote those sectors which have greater potential to absorb labour and in particular to support agriculture which in our circumstances has the greatest potential for generating employment.

With respect to the balance of payments, fiscal policy has consequences for both imports and exports. On the imports side, the present generally uniform tariff structure will be continued and exemptions subjected to close scrutiny. Government is of the opinion that the simplified tariff structure serves the requirements of revenue whilst acting as restraining influence on the balance of payments. The present system in which public agencies are subjected to the same taxes on imports as private ones will be maintained, as this has the advantage of self-discipline whilst at the same time avoiding the bias towards imports by Government agencies.

Over the Plan period, various tax incentives will be studied in addition to the present ones for the promotion of non-traditional exports. The use of duty drawbacks is being scrutinised since it has a tendency, when generally applied, to produce import biases in the system of production.

Fiscal policy will also be used to promote a more equitable distribution of income. This will be achieved by keeping a close watch over the monetary consequences of fiscal policy as they relate to the generation of inflationary pressures. The progressivity of the personal income tax is another way in which fiscal policy is expected to promote a more equitable distribution of income. To this must be added, the selectivity in the use of excise duties as regards luxury goods and necessities. Moreover, the provision of social amenities for the urban poor and the rural dweller on an increasing scale in the Plan is a key factor towards achieving the goal of an equitable distribution of income.

(ii) Monetary Policy

The Monetary system has not made such contributions as it could to the development of the rural and small-scale sectors of the economy. In particular, Government is concerned about the inadequate role being played by the monetary system in the development of agriculture. It is government's intention, therefore, to expedite research work being undertaken in the Bank of Ghana into the applicability of the Mexican Fondo type system as well as the network of locally-owned and operated unit banking establishments.

This is part of the strategy of taking banking to the people. The unit banking system has the advantage of greater decentralisation in the decision-making process with respect to the granting of loans. Another key ingredient of the strategy is to encourage the organisation of the people into *Nnoboa* groups and Co-operatives. The use of such groups as units in the granting of loans reduces both default risks and administering costs of loans.

While the Bank of Ghana gives credit guidelines to the Commercial Banks, it has been unable to enforce compliance. The result of this state of affairs has been the tendency for two of the three banks to continuously remain highly liquid through their conservative lending practices.

In recent years, it may be admitted, greater efforts have been made by all the banks towards greater involvement in the achievement of the developmental goals of the nation. The fact remains that, up till now, the involvement of the banking sector in agriculture is heavily biased in favour of medium/large scale operations. A development plan aimed at achieving growth with development and a fairer distribution of the nation's resources clearly requires more than this. If the results of the research efforts into the use of the Fondo type system and the unit banking approach prove favourable, the Bank of Ghana will be directed to initiate vigorous consultation for their speedy implementation.

Contrary to Government's determination to promote the saving habit over a broad cross-section of the population, certain rules, regulations and activities persist in the banking sector which serve to discourage savings. Appropriate measures will be taken early in the Plan period to eliminate such anomalies (minimum saving and zero interest rates beyond ₵100,000). The area of interest rate policy is of particular importance to the Plan. A flexible interest rate policy sufficiently responsive to inflation will be fashioned in the bid to promote savings. At the same time, the effect of lending-rate on investment will be subjected to serious analysis so as to take steps to eliminate any adverse effects on the economy, for example, the effect of a low interest rate policy on the policy of encouraging the adoption of labour intensive modes of production. Our experience shows that the use of subsidised inputs increases at a relatively greater rate than output. Any subsidy on capital, therefore, will lead to an increasing capital labour ratio with adverse consequence for employment generation and the balance of payments. Monetary policy will be increasingly used as a positive instrument of generating growth and moderating inflationary pressures in the economy.

(iii) Exchange rate policy

The dramatic changes in the external value of the cedi since 1967 are a reflection of Ghana's traditional balance of payments problems and more recently the difficulties which Ghana, like many developing countries, is having to face in exchange rate management arising from the floating of major currencies. Over the period, the cedi has been devalued twice, both occasions by large margins, has been revalued and has changed major currencies to which it is pegged.

On July 8, 1967, the cedi was devalued by 30 per cent. In so doing the official price of foreign exchange was increased by nearly 43 per cent, from ₵0.71 per dollar to ₵1.02 per dollar. The immediate reason for this was the expected deficit of over ₵90 million in the balance of payment for that year. The devaluation reflected Government's conviction that it was preferable to the alternative of further expenditure reduction or a more restrictive licensing system.

In November, 1971, the US dollar replaced the pound sterling as the major currency to which the cedi was pegged. Soon after this, the dollar itself was devalued in terms of gold by about 8 per cent and with it the cedi was devalued by the same margin against other currencies. Within days of this the cedi was devalued by 44 per cent against the dollar itself. Thus the value of the cedi changed from 0.98 US dollars to 0.55 US dollars. In terms of cost of foreign exchange, the official price of the dollar moved from ₵1.020 to ₵1.82 implying an increase in the cost of dollar by 78.4 per cent. When account is taken of the fact that only a few days previously the cedi had depreciated with the dollar the rise in cost of foreign exchange was estimated to be as much as 92 per cent.

The shock of readjustment to such a large devaluation was more than the nation could bear and on the 13th January 1972 a change in Government was effected. On February 5, 1972, the cedi was revalued from 0.55 dollars to 0.78 dollars. In terms of cost of foreign exchange, the cedi moved from 1.82 to 1.28 per dollar, a reduction in cost of 29.7 per cent. This action made Ghana the first developing country to revalue its currency. The overall effect of the devaluation and subsequent revaluation was a net devaluation of about 20.4 per cent. As a result of the currency realignments, emanating from the change in the value of the dollar, the cedi appreciated against the dollar, with a rate change from ₵1.28 to ₵1.15 per dollar as from February 12, 1973.

Since late 1973, the dollar has made significant gains against major currencies and in particular, the pound sterling. With this has developed the process of continuing over-valuation of the cedi which is generating pressures that are already becoming extremely difficult to contain in spite of exchange controls, fairly high import taxes, quantitative restrictions and export subsidies.

This has led to some discussion as to whether a general devaluation will not effect the necessary reduction in domestic demand and bring it in line with current resources. This will presumably lead to the long run re-allocation of resources necessary for a sustainable improvement in the trade balance, through the export of non-traditional low import content commodities in which Ghana may be said to have some comparative advantage

Our experiences with devaluations indicate, among others, the following pre-conditions for the successful use of large devaluations in our circumstances:

(*a*) a prior period of relative stability to calm down inflationary pressures. When, as in 1971, a devaluation has to be used to restore external balance and also to achieve a massive cut in real income, the size could be so massive as to throw the socio-economic structure out of gear;

(*b*) given the generally uncompetitive structure of production (a fairly large number of " sensitive " consumer goods is produced by no more than five establishments), explicit arrangements for limiting arbitrary reactions of price makers in the economy;

(*c*) other measures will have to be used to change the structure of production into one that is more flexible and responsive to the demand changes that are likely to follow a general devaluation; and

(*d*) the income redistribution effect will have to be ascertained more precisely, and measures taken to forestall any conflicts with declared policy in this area.

Our experience clearly shows that no matter which device is employed to correct the external disequilibrium, large discrete changes must be avoided in favour of small continuous changes over time. Unless the above pre-conditions or their equivalent are satisfied, devaluation for Ghana is too crude and blunt an instrument for correcting our external imbalance. The misuse of devaluation or its use under conditions when it does not have a chance of success, can be disastrous. It could accelerate the process of continuing over-valuation and weaken the restraints of the society to inflation leading ultimately to a situation in which the defence mechanisms of all groups in the economy become geared towards preventing a successful use of an otherwise powerful technique.

In place of a general devaluation, Government is determined to deal with the problem of external disequilibrium, as it builds up. A package of variable purchase taxes, selective export subsidies, *ad valorem* import licence levies and a cedi pegged to an appropriately chosen basket of currencies is deemed preferable. Such a basket should be chosen with due consideration given to the historical evolution and geographical pattern of our foreign trade, the capital markets to which we have access, and our aims with respect to the diversification of the economy.

(iv) Prices and Incomes Policy

The formulation of prices and incomes policy together with its implementation is the responsibility of the Prices and Incomes Board. In the public sector, the main features of existing policy are effective control over wages and salaries in order to avoid conflicts, with stated goals with regard to employment and in consonance with the determination to contain inflationary pressures. Existing incomes policy also aims at reducing earnings differentials between high and low income groups in line with the goal of effecting a more equitable distribution of income.

In the non-Government sector, voluntary negotiations between labour and management must be cleared with the Prices and Incomes Board in order to ensure that they are in line with overall policy before approval is given. Due consideration is given particularly to possible adverse effects on employment and prices of commodities that the changes in incomes sought might imply.

An effective national incomes policy, moreover, requires significant strengthening of the professional capacity and statistical base of the Board. It requires a clear formulation and publication of the main elements of such policy. In a sensitive area like this, it is important that policy be comprehensive in its coverage, sufficiently clear in its meaning to avoid doubts and mis-interpretations and be seen to be fair by all income earners. In the area of wages and salaries, fairness requires that the burden of restraint should fall on the richer groups in the society and not require the poorer groups to make sacrifices to advantage of the richer. As between wages and other forms of income, fairness would demand that restraint is not just in regard to wages but also on profits and rent income.

The Ghanaian economy is characterised, particularly in industry, by monopolies and oligopolies. In such a situation, profits are not always the outcome of the exertion and ingenuity of the entrepreneur. In order to protect customers, Government has instituted a system of price controls on key commodities. The practical difficulties of effectively policing the system are familiar and need not be reiterated here. At the same time the difficulties of taxing away super-normal profits in our circumstances are self-evident. It is the conviction of Government that it is through the elimination of barriers to entry, collusion and other trade malpractices that the regulation of the level of profits, in the context of national incomes policy, can be achieved. Government views, with concern, the prevalence of foreign-imposed sole agency arrangements in the imports trade with all the malpractices of over-invoicing and tax evasion that they tend to breed. To reduce the incidence of these malpractices, Government will set up a bulk purchasing company to handle those essential commodities which are amenable to bulk purchasing.

The experience of Ghana as well as other African countries clearly shows the stabilising influence on prices arising from the use of consumer co-operative stores. As a consequence, Government is determined to strengthen consumer co-operative movements to ensure that Nnoboa groups rapidly come to play the dominant role in the distributive trades in particular. A beneficial side effect of this would be the increased number of Ghanaians who will become shareholders in organised business.

In spite of the activities of rent control courts, rents, especially in the urban areas, have become a major item in the cost-push pressures on the general cost of living. Government recognises that the only effective solution to this problem is the provision of more houses. A special loans scheme is expected to go into effect for Civil Servants early in the Plan period. Similar schemes are being worked out for those areas of the public sector not already covered. The activities of the special institutions in the area of granting of housing loans, like the First Ghana Building Society and the Bank for Housing and Construction will be intensified. In addition, the banking system will be encouraged to continue to play a significant role in the task of providing adequate accommodation at reasonable cost.

The quest for cheap accommodation for the people cannot find a satisfactory answer in the mere availability of loans. In the end, the cost of building material and the cost of construction are the major determinants of the cost of housing. Vigorous efforts will be made to promote the increased use of wood, particularly of secondary timber whilst the efforts to develop widely scattered network of factories for the production of bricks and tiles will be given increasing attention.

Prices policy is a key ingredient in the overall incomes policy of Government. Mention has been made of the price control system on key commodities and the difficulties of effective policing. Mention has also been made of the role that Consumer Co-operative Stores are expected to play in the distribution chain. These measures are aimed at keeping a balance between real wages and profits as is the concern with inflation.

The area of agricultural commodity pricing will continue to be given the attention that it deserves. The system of producer prices and agricultural commodity prices will be kept under constant review to make it flexible, responsive to market conditions and at the same time to avert any adverse development in the terms of trade facing the rural population. Such developments are not only inimical to the goal of increasing agricultural production, to the plans for arresting the massive drift of the youth to urban areas with all the social costs involved, but also to the search for an equitable and just distribution of income.

3.2.2 The Relative Roles of the Private and Government Sectors

(i) The Private Sector

The private sector has played a most vital role in the development of the economy especially in the agricultural and industrial sectors. During the Plan period, the role of the private sector is expected to increase, at a much faster pace so that its contribution to both national output and employment will be greater. Government will strengthen the facilities offered by the various operational institutions set up to aid private investors in the economy. These institutions include the Bank of Ghana, National Investment Bank, the Agricultural Development Bank, the Capital Investments Board and the Office of Business Promotion. Various departments within the government ministries and statutory bodies affect the conduct of businessmen and the availability of business opportunities.

Small-scale operations dominate the agricultural, industrial and handicraft sectors of the economy. The various promotional institutions such as the banks and the Capital Investments Board will formulate systematic and innovative policies and programmes to increase the productivity of these productive units.

As the economy has become more complex, experience has demonstrated that certain measures which were originally taken by financial and promotional bodies to expedite the affairs of businessmen have, in practice, not achieved these goals and have rather tended to be over-bureaucratic and wasteful. An effective system of communication will be fashioned to permit businessmen contribute towards smoothening the procedures for the expeditious conduct of their affairs. In this regard, early in the Plan period, procedures and practices of various institutional arrangements to aid businessmen will be subjected to a thorough investigation in order to make them contribute more effectively to the efficiency and productivity of the private sector. During the Plan period, private investment is estimated at ₵1,480.2 million.

(ii) The Government Sector

Government has, since 1957, sponsored several public corporations engaged in direct production, while continuing its traditional role of creating the appropriate economic environment which can stimulate individual initiative and effort in the private business sector. To enable the achievement of the targeted amount of investment by the private sector, the required infrastructural and fiscal and regulatory services will continue to be provided. In order to create the appropriate economic environment, clusters of economic activity, wherever feasible, will be encouraged and developed. These clusters will include industrial estates combined, in the appropriate situations, with co-operative or other group approaches to agriculture, fishing and handicraft establishments. These clusters of economic activity and human settlements would permit a more economical supply of the associated infrastructural services and social amenities.

In an attempt to stimulate the rapid economic development of the country, the Government has and will continue to be involved in direct production. Therefore, in addition to the traditional Government role to provide services for the improved welfare of the population in spheres such as health and education, investments in directly productive projects will be those which—

(*a*) are financially and economically viable,

(*b*) have a large developmental content but which private capital will otherwise avoid because the private benefits are less than the social benefits, and

(*c*) are of such a nature that the financing terms and arrangements are not unduly burdensome in both the foreign and domestic currency components.

Public corporations will strengthen their costing and accounting procedures as well as the efficiency in their operations in order to satisfy the purposes for which they were originally created. Various measures already exist for the timely publication of the audited accounts for these corporations. Furthermore, various other alternatives are being considered for implementation which would ensure a more close monitoring of these public corporations and, therefore, a more systematic set of measures for ensuring progressively high levels of efficiency in their operations.

TABLE 3.1

PLANNED SUPPLY AND USE OF RESOURCES—CONSTANT 1968 PRICES

(Uncorrected for Terms of Trade)

₵'million

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
TOTAL SUPPLY ..	2,767.3	2,830.3	2,962.7	3,105.7	3,252.5	3,408.2
GDP	2,324.1	2,451.9	2,586.8	2,729.0	2,879.1	3,037.5
Imports	443.2	378.4	375.9	376.7	373.4	370.7
TOTAL USES	2,767.3	2,830.3	2,962.7	3,105.7	3,252.5	3,408.2
Consumption ..	1,973.4	2,069.2	2,157.8	2,251.5	2,349.4	2,472.5
Non-Government	(1,679.4)	(1,763.4)	(1,839.8)	(1,920.8)	(2,005.4)	(2,114.8)
Government ..	(294.0)	(305.8)	(318.0)	(330.7)	(344.0)	(357.7)
Gross Domestic Capital Formation	419.0	376.5	418.6	459.6	499.1	530.7
Gross Domestic Fixed Capital Formation ..	340.0	383.3	319.5	418.6	446.7	477.2
Non-Government	(226.4)	(255.5)	(260.1)	(284.4)	(301.6)	(318.5)
Government ..	(113.6)	(127.8)	(131.4)	(134.2)	(145.1)	(158.7)
Increase in Stocks	79.0	-6.8	27.1	41.0	52.4	53.5
Exports	374.9	384.6	386.3	394.6	409.0	405.0
Savings Ratio ..	15.1	15.6	16.6	17.5	18.4	18.6

TABLE 3.2

PLANNED SUPPLY AND USE OF RESOURCES

(At Current Market Prices)

₵ million

	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
TOTAL SUPPLY ..	6,061.1	7,052.2	8,380.7	9,861.9	11,459.8	13,217.1
GDP ..	5,085.1	6,135.7	7,379.4	8,758.2	10,256.2	11,902.5
Imports ..	976.0	916.5	1,001.3	1,103.7	1,203.6	1,314.6
TOTAL USES ..	6,061.1	7,052.2	8,380.7	9,861.9	11,459.8	13,217.1
Consumption ..	4,332.9	5,258.3	6,271.1	7,382.2	8,642.6	9,983.1
Non-Government ..	(3,708.1)	(4,511.2)	(5,436.0)	(6,441.7)	(7,586.2)	(8,800.0)
Government ..	(624.8)	(747.1)	(835.1)	(940.5)	(1,056.4)	(1,183.1)
Gross Domestic Capital Formation	910.9	881.6	1,109.4	1,407.7	1,656.0	1,998.2
Gross Domestic Fixed Capital Formation	736.8	900.0	1,080.0	1,296.0	1,554.0	1,866.0
Non-Government ..	(490.6)	(600.0)	(720.0)	(864.0)	(1,036.0)	(1,244.0)
Government ..	(246.2)	(300.0)	(360.0)	(432.0)	(518.0)	(622.0)
Increase in Stocks ..	174.1	−18.4	29.4	117.7	+102.0	132.2
Exports	817.3	912.3	1,000.2	1,072.0	1,161.2	1,235.8
Gross Domestic Saving ..	752.2	877.4	1,108.3	1,376.0	1,613.6	1,919.4
Gross National Product ..	5,064.0	6,114.1	7,357.0	8,734.0	10,232.5	11,878.1

TABLE 3.3

PLANNED SUPPLY AND USE OF RESOURCES—CONSTANT 1968 PRICES
(Corrected for Terms of Trade)

₵'million

	1974–75	1975–76	1976–77	1977–78	1978–79	1979–80
TOTAL SUPPLY ..	2,763.6	2,822.4	2,951.9	3,077.0	3,208.8	3,351.7
GDP	2,320.4	2,444.0	2,676.0	2,700.3	2,835.4	2,981.0
Imports	443.2	378.4	375.9	376.7	373.4	370.7
TOTAL USE	2,762.6	2,822.4	2,951.9	3,077.0	3,208.8	3,351.7
Consumption ..	1,973.4	2,069.2	2,157.8	2,251.5	2,349.4	2,472.5
Non-Government ..	(1,679.4)	(1,763.4)	(1,839.8)	(1,920.8)	(2,005.4)	(2,114.8)
Government	(294.0)	(305.8)	(318.0)	(330.7)	(344.7)	(357.7)
Gross Domestic Capital Formation ..	419.0	376.5	418.6	459.6	499.1	530.7
Gross Domestic Fixed Capital Formation.	340.0	383.3	391.5	418.6	446.7	477.2
Non-Government ..	(226.4)	(255.5)	(260.1)	(284.4)	(301.6)	(318.5)
Government	(113.6)	(127.8)	(131.4)	(134.2)	(145.1)	(158.7)
Increase in stocks ..	79.0	–6.8	27.1	41.0	52.4	53.5
Exports	371.2	367.7	375.5	365.9	360.3	348.5

TABLE 3.4

PLANNED COMPOSITION OF GROSS DOMESTIC FIXED CAPITAL FORMATION BY SECTORS
(Constant 1968 Prices)

₵'million

	1975–76	1976–77	1977–78	1978–79	1979–80	Total
Agriculture*	75.7	79.7	84.4	88.7	93.7	422.2
Mining and Quarrying ..	5.0	5.1	5.1	5.5	5.8	26.5
Manufacturing and Construction	139.8	151.9	166.3	181.0	198.1	837.0
Others	162.8	154.8	162.8	171.6	179.6	831.6
Total	383.3	391.5	418.6	446.7	477.3	2,117.3

* Agriculture here includes Agriculture and Livestock, Cocoa, Forestry and Fishing.

TABLE 3.5

Gross Domestic Product by Sectoral Origin

(Constant 1968 Prices)

₵'million

	1974–75	1975–76	1976–77	1977–78	1978–79	1979–80
Agriculture	643.6	682.3	723.2	766.6	812.6	861.3
Cocoa	203.7	208.8	214.0	219.4	224.8	230.4
Forestry	78.8	82.8	86.9	91.3	95.8	100.6
Fishing	55.5	58.2	61.1	64.2	67.4	70.8
Mining	43.9	45.5	47.1	48.7	50.4	52.2
Manufacturing ..	346.2	372.2	400.1	430.1	462.3	497.0
Construction	115.8	129.8	145.3	162.8	182.3	204.2
Wholesale and Retail	299.7	317.7	336.7	356.9	378.4	401.1
Transport and Communication	110.5	116.0	121.8	127.9	134.3	141.0
Other Services (Including Government) ..	426.4	438.6	450.5	461.1	470.8	478.9
Total ..	2,324.1	2,451.9	2,586.8	2,729.0	2,879.1	3,037.5

CHAPTER 4

RESOURCE AVAILABILITY AND MOBILISATION

This chapter discusses the availability and priorities of domestic and external financial resources for the realisation of the goals and objectives set out in Chapter 3. It also discusses the development of science and technology in the context of a national science policy as well as the development of statistical data. The chapter excludes the discussion of Human and Natural resources as these are adequately covered in Part II of the plan.

4.1 Domestic Financial Resources

Economic growth and development imply, among other things, rising output over time which in turn depends crucially, though not exclusively, on the rate of capital accumulation and the level of technology employed. Thus, to ensure an increasing future capacity of the economy to produce adequately for a growing population, investment must be made both for replacement and expansion of the stock of productive capital.

The investment requirements needed to sustain the target growth rate of 5.5 per cent of the gross domestic product over the plan period have been discussed on page 33 in this document. It has also been pointed out that financing this level of investment would require more domestic savings and foreign capital inflow. It may be added, however, that such inflow unless it comes in the form of grants or gifts implies a future debt burden which will require a future savings effort to service and to repay. It is therefore clear that resort to foreign borrowing must not be encouraged for ventures which will not generate enough extra resources in the future to at least cover the cost of servicing and repayment. Foreign borrowing which does not meet this criterion cannot serve as a reliable source of investment to break the vicious circle of poverty and under-development.

Our declared philosophy of self-reliance is based on the recognition that our attempts at development must rest in the first place, on our own efforts. This realistic philosophy is well in accord with the injunction of the International Development Strategy adopted by the United Nations for the 1970s which states categorically that developing countries must, and do, bear the main responsibility for financing their development. While there are different ways of financing capital formation, with correspondingly different institutional requirement. the actual process of capital formation involves the need to increase the volume of real savings and the use of resources to build the capital stock which is the act of investment itself.

Increased domestic savings may be achieved by voluntary reduction in private consumption or involuntary reduction through taxation, compulsory lending to government or inflation so long as such involuntary reduction in consumption is not off-set by reduction in private savings. Increased domestic savings and investment may also be achieved by the absorption of the underemployed into more productive work.

In our circumstances of generally low *per capita* income, it would appear that the scope for voluntary abstinence from consumption is rather limited. Over the plan period, therefore, policy will be directed towards ensuring that as average income rises, an increasingly smaller proportion of it than before, is spent on consumption.

As far as the involuntary reduction in consumption is concerned, it is perhaps true to say that there is not much room for further expansion of the tax potential. During the plan period therefore the focus of policy will be directed at closing the gap between potential and actual collection. For example, as against an average import duty rate of about 45 per cent the effective duty rate in 1975 was only 23 per cent. It is planned that by the end of the decade the effective duty rate on imports would have been raised to at least 40 per cent. In order to achieve this goal of greater exploitation of existing tax potential, increasing efforts would be made to identify any disincentives to work or incentives to tax evasion inherent in the existing structure of taxes so that these can be eliminated.

The crucial question as far as taxation is concerned is whether it is designed to tap resources that would otherwise have gone into luxury consumption or socially unproductive investment or foreign exchange hoarding, or whether it simply reduces private productive investments or necessary consumption. These considerations are important since it is believed that in the long run, it is voluntary compliance on the part of tax payers, perhaps even more than the efficiency of the tax collecting agencies that really matters; and voluntary compliance is not easy to develop in an atmosphere in which disincentives to work or incentives to evasion may be said to emanate from the structure of taxes. It is envisaged that the additional revenues collected will be increasingly used for developmental purposes.

Recent experience has shown that in Ghana the major determinants of savings with the banks are growth in income, increase in interest rates payable on bank deposits and the expansion of banking facilities. Thus the raising of the interest rates on savings deposits from a maximum of 3.5 per cent to a minimum of 7.5 per cent per annum in the third quarter of 1971 led to a rapid increase in time and savings deposits with the commercial banks. From the end of the fourth quarter of 1971 to the end of the first quarter of 1973, time and savings deposits with the commercial banks more than doubled. However, with the steady erosion of the real interest rate by inflation a decline started from the second quarter of 1973 until the rise in incomes in 1974 together with the salary increases of that year reversed that trend.

The expansion in facilities offered to the saving public was also a contributory factor to the growth of savings with financial institutions. In 1972 a completely new banking institution namely the Merchant Bank Ghana Limited appeared on the financial scene and the former Ghana

Savings Bank was re-organised into a more commercially oriented Post Office Savings Bank—now the National Savings and Credit Bank. In 1973 the Bank for Housing and Construction was also established. The impact of these new institutions on savings generation has been felt since.

While the rate of the public's savings with the banking institutions during the past three and a half years has been rather impressive, it is expected that with the use of appropriate interest rate policy and the increasing of facilities for small savers in both rural and urban areas the goal of increasing savings at the margin will be achieved. The most crucial issue in determining the appropriateness of financial institutions as a link between savings and investment activities is the uses to which the mobilised resources are put by these institutions. Effective financial intermediation implies an allocation mechanism which ensures that investment financed through conduits provided by the intermediaries are more productive than those the savers themselves would have undertaken on their own.

The Ghanaian experience has affirmed that the major banking institutions, naturally acting on the basis of profit signals have tended to seek avenues for employment of their funds where the profit rate is high, risk of non-repayment small, and the costs of administering loans low. In the presence of market imperfections and distortions in the economy, however, prevailing prices do not always reflect social productivity. Funds have, as a consequence, not always flowed to the most productive areas.

As part of its periodic package of monetary measures, the Bank of Ghana has, for sometime now, been issuing credit guidelines which the lending banks are expected to follow. The primary aim of these guidelines is to shift bank credit increasingly in favour of growth-inducing sectors of the economy particularly agriculture, manufacturing and export trade. In support of this, the Bank of Ghana has instituted a number of credit guarantee schemes for export promotion, provision of industrial raw materials, small-scale farmers, manufacturers and traders as well as a special discounting facility for bank credit for marketing of certain types of agricultural produce.

In spite of all these measures and facilities, compliance with the credit guidelines is far from perfect. Over the plan period, the Bank of Ghana will introduce the Mexican Fondo-type plan under which commercial banks will be obliged to surrender into a Fund at the Central Bank, the amounts which they are unable to lend in line with the credit guidelines. This scheme will initially apply to the agricultural sector though by the end of the decade it is expected that the other productive sectors will be covered by the scheme. The amounts so taken will be channelled into viable agricultural products principally for the production of agricultural raw materials like cotton, oil-palm, rubber, kenaf and soya beans.

It is apparent also that the present position of excessive liquidity of the commercial banks may be attributed, in large measure, to the concentration of available savings in the three main commercial banks.

Some diffusion of savings and investments particularly at the rural level is very essential if the rural economy is to benefit from institutional credit. In spite of various governmental and other measures intended to reach the small-scale operator, institutional credit remains largely inaccessible to him.

In Ghana, the unorganised or perhaps unofficial money market plays an important role. Indeed, as far as the bulk of the small-scale operators in agriculture, manufacturing and trade are concerned, it represents the only access to credit. Interest rates in such markets are known to be very high when compared to those in the organised money market and what may be considered appropriate for rapid economic development. It is generally held that these high interest rates are the result of a disproportionately large demand for loanable funds and generally inelastic and limited supply of funds. The general low level of income in the rural areas leaves little surplus for the self-financing of agricultural and handicraft production. In addition, uncertainties of weather coupled with seasonal factors, create additional needs for outside funds at certain times within the year and in bad years.

The supply of loanable funds on these markets is both limited and inelastic, since the lenders do not have the facilities for mobilising any excess liquidity in the organised markets. This absence of close links between the unorganised and organised segments of the money market limits the possibility of increasing the supply of loanable funds in the unorganised market beyond the savings of the loaning sector itself.

The disadvantages of the high rate of interest charged in these markets include dead-weight agricultural indebtedness, alienation of land and farms from agriculturists to money-lenders with adverse consequences for economic development. In addition to these, due to market imperfections and other distortions, the operations of the unorganised money markets may lead to serious misallocation of resources, the sustaining and even promotion of habits and customs, which are not in conformity with the growth and development objectives of the country. To the extent that the problem of cheap credit is inseparable from the whole problem of agricultural development, it is envisaged that the new scheme for extending credit being worked out by the Central Bank together with the organisation of producers in all spheres of productive activities into *Nnoboa* groups and co-operatives, for the purposes of channelling modern inputs including credits, will contribute in large measure to the achievement of the growth objectives of the plan.

Finally, the need to regulate the operations of the unorganised capital markets is underlined by the observations that these disjointed and unorganised money markets may, together, be as big or even bigger than the official or organised money market. Furthermore, as long as the present structure of segmentation persists, the use of monetary policy to steer the process of promoting growth and development may be seriously compromised. From considerations of the need to promote socially productive investment and to strengthen the instruments for the control of inflation, it is important that the Central Bank be able to establish some measure of control and regulatory authority over the entire capital market. If this is not possible, then it may become necessary to evolve such institutions, as are amenable to such control to replace the agencies of this unorganised market.

4.2 External Financial Resources

Over the period covered by the Plan, the most binding single constraint will clearly be that of foreign exchange inadequacy. The reasons for this have been discussed above. Two points worth stressing in connection with this constraint, however, are that:—

(*a*) it is inextricably linked to the need significantly and effectively, to increase the share of capital formation in GDP, and

(*b*) it is also related to the generation or control of inflationary pressures.

It has been observed that with the existing structure of the Ghanaian economy, there is the tendency for a trade-off between economic growth and a worsening of the balance of payment problems. Indeed, the post-independence economic history of the country provides examples in which serious balance of payments crises have not only arrested economic growth, but have led to political instability. Given this fact, it is important to emphasize and stick to the principle that no foreign borrowing will be undertaken unless the activities thus financed are capable of improving the balance of payments position to service and ultimately repay the debt.

It is evident that the maintenance of a reasonable external balance situation in a manner consistent with the growth target and the capacity of the country to attract external finance, without undue compromise of its stated goals, will require the application of strict economic discipline. By this latter is meant discipline, in the sense that projects, whether for rehabilitation or improvement of existing facilities or for increasing existing capacity will be subjected to very close economic scrutiny before foreign exchange is made available in the import programme for their implementation. This will call for savings rather than consumption in relation to future growth in income.

It is the intention of Government to set up a National Procurement Agency charged with the responsibility of effecting a smooth and timely flow of essential goods. This is to be achieved either by the direct importation of such goods in bulk or by the importation of the intermediate goods required for their domestic production. Among the advantages expected from the operation of the Agency are the elimination of the myriad of small-scale importers whose knowledge of external markets is highly questionable and whose operations in this regard as a consequence tend to be extremely costly and wasteful. It is the policy of Government to get these operators who are predominantly Ghanaian to be at least as interested in marketing domestically produced commodities as they are in imported ware. In this regard it is proposed that a criterion for accessibility to imported goods meant for sale be the provision of clear evidence of prescribed minimum turnover in the marketing of domestic produce. Another advantage emanating from the above will be the fair geographic distribution of essential imports at reasonable prices.

Preliminary results of the 1974–75 household expenditure survey suggest that fish feature prominently in household expenditure. It is also clear from trade statistics that a large part of demand for this commodity is met from imports. For the year 1974–75, fresh frozen and tinned fish imports amounted to about ₵34 million, which is equivalent to a little over 3.6 per cent of total imports. Provisions have been made for the expansion of the fishing fleet and a task force has been set up to identify and cause to be implemented such measures as will lead to a rapid reduction in this bill and its elimination by the end of the decade.

Sugar is another commodity whose importation and domestic production call for careful examination. The two existing sugar factories are operating, as indeed they have from the beginning, well below their rated capacity. Government is determined to intensify efforts at rehabilitating them. In this regard Ghana will endeavour to participate in the UNIDO sponsored study of alternative sugar technologies scheduled for 1976. It is hoped that this study will identify economically-viable ways of expanding domestic sugar production through the use, for example, of the open-pan sulphitation technique which will reduce the capital and foreign exchange requirements to replicate the existing vacuum-pan factories. The open-pan technique, it must be added, would provide much higher levels of employment than the factories of the existing type.

A general principle that will be applied in the area of import management is the establishment of import priorities according to domestic value added with particular reference to foreign exchange. An example of this, in the textile sector, will be discrimination in favour of importers of yarn and against importers of finished grey cloth. By the middle of the Plan period, with the expected expansion of spinning capacity, such discrimination will be carried a step further to favour imports of cotton and against imports of cloth and yarn. Ultimately as the domestic production of cotton increases and simultaneously with it, the installation of adequate ginning capacity, importation of yarn and cloth will be given the lowest priority.

Turning now to the exports side, it may be re-emphasized that a viable export drive is a crucial component of the overall strategy. As far as Cocoa is concerned, the evidence indicates that while the low producer-prices of the early 1960s no doubt affected farmer expectation and faith in the long run viability in the industry, and thus affected in turn new plantings, a considerable loss takes place each year through smuggling. In nominal terms, at least, producer prices have been doubled since 1972 and other incentives provided for farmers. Significant among these latter is the building of a special hospital for farmers at Tepa in the Brong-Ahafo Region. It is expected that through better husbandry and reduction in smuggling, purchases by the Cocoa Marketing Board for exports will increase in the short term. In the longer term, the restoration of the confidence of farmers in the industry as a result of the newly established Ministry for Cocoa Affairs will lead to increased planting of high-yielding varieties.

Tourism is an area which under proper and effective management, would make some contribution to the nation's foreign exchange earnings. The experiences in other developing countries, however, clearly warn of the losses, both economic and social, that unplanned and improperly developed tourism may produce. The fact is that the infrastructural requirements for tourism are essential. Beach—located holiday facilities developed side by side, with individual and packaged tours could fruitfully be used here.

There are indications that with the right package of incentives including accessibility to credit, ready availability of inputs, and appropriate export bonus scheme, which should be based on a value added and not gross output, and a more efficient use of our trade delegations and more generally, our foreign missions, Ghana could make significant strides in the export field. Such a package would enable the country to make fuller use of the Lome Convention, the Treaty of ECOWAS, when it becomes operational, and expanding markets of the oil-rich exporting countries for both primary products and semi-manufactured and manufactured goods.

It is necessary to reiterate the importance to the plan strategy of the effective management of foreign exchange especially in the early years of the Plan Period. Failure here would jeopardise our efforts and seriously compromise the entire plan as it has others, in the past. A successful and effective containment of the balance of payments problem would make the sacrifices that Ghanaians will be called upon to make both more meaningful and palatable.

4.3 Science Policy

The government has recognized that the prospects for achieving rapid economic recovery and social prosperity in Ghana will depend upon a national plan that includes the application of Science and Technology. It is further recognized that the hopes and aspirations of the people cannot be fully realised with a national development strategy that does not include a clear science policy objective. Recent increases in food production achieved by some farmers who have applied fertilizer to their soil and have introduced high quality seeds on their farms have convinced the government that the Ghanaian farmer is willing to adopt new agricultural technologies provided a distinct economic advantage can be seen. Therefore during the plan period a greater effort will be made to improve the farming practices of the average farmer by using scientific investigations to promote a modest introduction of appropriate technologies.

The need to organise Science and Technology to play a major role in the economic and social development was entrusted to the Council for Scientific and Industrial Research (C.S.I.R.). Government therefore expects the C.S.I.R. to co-ordinate research in such a way as to find expression in the nation's decision-making processes. In the conduct of its own research, the C.S.I.R. is expected to provide analytical studies that will enable it to collaborate with the Ministry of Economic Planning and other governmental and non-governmental organizations to identify priority areas in the national development where Science and Technology are specifically needed.

The establishment of the Science and Technology Planning and Analysis Group (PAG) within the C.S.I.R. is a major step forward for providing the required co-ordination and guidance which is currently lacking in the science communities in the country. The PAG will be expected during theplan period to analyse and to recommend assignment of identified projects to the institutes within C.S.I.R. and other research organisations inUniversities and private institutions which can best deal with such specific problems.

Government supports the concept that both basic and applied research activities are needed to fulfil specific short-term projects to alleviate current economic difficulties, while concentrating at the same time on medium and long range programmes that will have lasting positive effects on the social and economic development of the nation. Furthermore the government has observed that intensive multidisciplinary and inter-institutional research must be fostered and encouraged to result in fruitful exploitation of the country's scientific knowledge and know-how. Government will allocate funds to C.S.I.R. to persue these objectives.

Government has recognized that science at the Universities involves systematic investigations directed towards the development of new or fuller scientific knowledge with or without reference to any specific application. It is however expected that during the plan period science at the Universities will, in addition to their non-mission orientated research, lend the needed support and expertise to the C.S.I.R. and other governmental and non-governmental research organisations in the country's attempt to fulfil the objectives of the national development plan. The role of scientific research has long been recognised by government as an important adjunct to the overall development of agriculture. Indeed the government is aware that agricultural successes in many countries have come about because of the efficient use of research results and information dissemination to the farming communities. During the plan period agricultural research needed to increase food production and its availability will concentrate on three important areas, viz. (*a*) increase production of staple food crops and livestock (*b*) decrease in waste due to spoilage and (*c*) improved marketing and distribution of available food.

Increased Food Production.—The C.S.I.R. and other governmental and non-governmental research organisations will be required and encouraged to ensure that their research efforts are directed towards the development of quick-maturing and high-yielding varieties of such staples as maize, cassava, yam, cocoyam, plantain and the legumes. In the case of maize, for example, it is expected that research will be intensified to achieve breakthroughs in the production of not only high yielding varieties but such varieties that will suit local consumer requirements. The animal research organisations will also be expected to take practical steps to increase livestock production through genetic manipulation and efficient animal husbandary practices especially in the areas of animal health care.

The problems encountered in storage and preservation of perishable foodstuffs often lead to tremendous waste during and after harvest. Consequently the country is not assured of continuous supply of food during the periods between harvests. Such waste results in unreasonable high prices of food items that should normally command reasonable returns for the farmers. During the plan period the food research organisations will be expected to concentrate their research efforts into areas that will decrease food waste and enhance efficient storage and preservation of perishable food items. Help given to agricultural processing industries will ensure that surpluses of perishables such as tomatoes, onions and oranges are transformed into tomato paste, pickled onions and orange juice, thus extending the life of commodities that farmers produce.

The process of transferring food from the farmer to the consumer has been identified as one of the major weak links in the marketing services in the country. As a result of this deficiency the receipts of farmers often discourage further production of food items such as perishable foodstuffs. During the plan period the C.S.I.R. will be expected to make inputs that will improve the road transportation situation to enable efficient distribution and the enhancement of the marketing systems.

It is expected that the highest priority will also be assigned to the increase in industrial raw materials to feed the local agro-based industries and for export. The C.S.I.R. will be looked upon to furnish leadership in research that will improve the production of such items as oil palm, cotton and similar cash crops.

Other Priority Areas.—During the plan period the C.S.I.R. will be expected to direct its research and training efforts in other areas such as transportation and communications, mining, industry, forestry and education as outlined in the development plan.

Appropriate Technology.—Government has acknowledged that a major constraint affecting the national development is the lack of appropriate technologies in all sectors of the economy. The institutes of the C.S.I.R. whose activities include substantial Research and Development (R and D) will be required to make the necessary input into the adaptation of known technologies to suit local conditions. Furthermore the institutes will contribute innovative technologies to help improve the production of local raw materials and the expansion of the nation's industrial output.

Allocation of Research Funds.—In order to make efficient use of all research funds and the available manpower, the C.S.I.R. will be requested to approve of all funds allocated for research and management within its institutes regardless of source, to ensure that research projects undertaken during the plan period are designed to support the specific objectives of the national plan.

4.4 Statistical Data

Reliable statistical data are necessary for planning, decision-making and evaluation of programmes and projects. In Ghana, the Central Bureau of Statistics is charged with the responsibility for the collection, compilation and production of Statistics. The development and expansion of the work in the Bureau over the plan period will be based on the need to fill the gaps in various statistical series, to bring the various publications up to date and also to undertake necessary surveys and analyses required to monitor and evaluate performance under the plan.

The major statistical programmes expected to be undertaken during the period are briefly set out below:

4.4.1 Industrial Survey

The last time an industrial survey was carried out was in 1962. This survey was executed as a national census and involved a complete registration and enumeration of all industrial establishments in the country. It was followed by a second phase inquiry of 1963, considered as a part of the 1963 World Programme of Basic Industrial Statistics. Further, as part of this programme of basic industrial statistics, a third phase was implemented leading to the development of quarterly statistical inquiries. As a result of this programme of statistics, a regular routine of industrial statistical data collection and compilation has been instituted. The benchmark data derived from the results of the 1962 survey have now become obsolete. It is planned to embark on appropriate programmes:

(*a*) to update information available on industrial activity;

(*b*) to depict the present structure of industrial production, as will be revealed by the distribution of value added and employment, according to kind of economic activity, size, type of ownership and mode of operation of producing units;

(*c*) to provide such data as will enable the productivity of industrial establishments to be assessed;

(*d*) to attempt to cover construction activity which hitherto has not been covered in the existing scheme of industrial production inquiries; and

(*e*) to initiate studies on traditional industrial units.

4.4.2 Household Surveys

It will be the first time in the history of Ghana's statistical activity that a household surveys programme is being evolved and to be implemented. This programme will aim at producing household statistics embracing such subject matters as demographic characteristics, health, food, consumption and nutrition, housing conditions and facilities, educational characteristics and cultural activities, employment and economic level of the household. Such a household surveys programme is, therefore, different in content and scope from the well-known surveys of household budgets relating to incomes and expenditures. The household surveys programme will be kept in line with priorities for development statistics which have been set out under the " International Development Strategy for the Second U.N. Development Decade ". As a special case under the household surveys programme, however, it will be necessary to arrange and execute a survey relating to household budgets. This survey will be conducted in 1979 in order to update the 1974 one which contains vital items of information on living conditions, housing conditions, household enterprises, household incomes and expenditures, and unemployment. As the 1974 survey allowed for studying patterns of seasonal disparities in household living conditions, so the 1979 survey will also be designed to achieve similar objectives.

4.4.3 Price Statistics

The four types of price index numbers now compiled in the Bureau relate to Consumer Prices, Wholesale Prices, Prime Building Costs and Foreign Trade. The respective base years for all these types of index numbers are now obsolete. Thus, in order to get these index numbers reflect the patterns of living and of economic activity as are current, it is desirable to revise these index numbers. It is the plan of the Bureau to carry out a review programme which will take account of both revising the respective base years of these index numbers as well as improving upon their scope, content and techniques of compilation.

4.4.4 Distributive Trade

Although attempts were made in 1967 to develop statistics relating to the distributive sector of Ghana, the project has so far not made any appreciable progress. It is therefore planned to re-examine the whole question with a view to developing statistical series on distributive trades. Accordingly, a nation-wide survey into distributive trade establishments will be conducted along with the Industrial Survey referred to above. It will be the aim of this survey to provide data which will be required for constructing a suitable frame to be used as a basis for developing periodic inquiries into distributive activity. In order to facilitate decision-making in the wholesale and retail trades activities in accordance with, for example, the Investment Policy Decree, such series to be established on distributive activity will be very useful.

4.4.5 Financial Statistics

To date, the amount of work being carried out in the field of financial statistics is apparently narrowly Limited to Central Government Finance and to a lesser extent, Local Government Finance. There is need for a great deal of development work in financial statistics. As of immediate concern, work is needed urgently to cover public enterprises' activity. Also, the work in hand on Central Government and Local Government finances involving the reclassification of the financial statements of these organisations need to be revised in order to be adapted to fit into the New United Nations System of National Accounts.

4.4.6 Demographic and Social Statistics

Public policy in regard to population cannot be intelligently conducted in the absence of timely statistics of high quality on a broad range of subjects. Thus, one of the important uses of demographic and social statistics is to supply a part of the factual basis on matters of public policy and governmental action in social and economic fields.

To fulfil the above need, Ghana has been conducting population censuses at approximately decennial intervals since 1891. The last census was carried out in 1970 and by the beginning of the plan period three basic volumes and a Special Report have been published. Volume I, provided information on the name of locality (i.e. town/village/cottage), region, source of water supply, number of houses and population in 1970 and population in 1960 and 1948 for each of the approximately 48,000 localities existing at the time of the census. Volume II aims at giving small area statistics for localities with population of 200 or more and census Enumeration Areas. The statistics given in volume II relate to the following population characteristics: sex, age, birthplace, nationality, regular school attendance and economic activity.

Volume III gives a detailed picture of the socio-demographic scene as at March 1, 1970 (Census night). Part A of this Volume gives statistics of houses. Part B presents a picture of the structure of households, i.e. household sizes and the pattern of relationships. Part C gives the detailed demographic characteristics of the population, namely, sex, age, nationality, birthplace, school attendance, and level of education. Part D presents the socio-demographic statistics of foreign nationals.

Special Report D contains the same information as in Volume I. The only difference between them is that the latter provides data for all localities in an alphabetical order whilst the former gives the same information by region, and within each region by local authorities (as existed on 1st March, 1970). The Special Report D provides invaluable statistical information for development planners and research workers at the local level.

By the end of the plan period in 1979–80, it is expected that three more Volumes and some Special Reports of the 1970 Census programme would have been published whilst at the same time instituting the machinery to prepare for the next population Census in 1980.

The Volumes to be published are Volumes IV to VI and Special Reports A, B and C. Volume IV will give data on economic characteristics of local authorities, regions, and total country. The economic items will include type of activity, industry, occupation and employment status. Volume V will be an administrative report of the census whilst Volume VI will present a statistical summary of the 1971 Supplementary Enquiry; this summary will include data on household structure, housing conditions, marriage, fertility, mortality, literacy, and migration.

Special Report A will give demographic and economic data of towns with a population of 10,000 and over. Another important feature of the data in Report A is that the three city council areas: Sekondi/Takoradi, Accra-Tema and Kumasi, will be divided up into Statistical Areas and data presented in respect of each of these Areas. The Statistical Areas were created by agglomerating geographically contiguous Enumeration Areas with apparent homogeneous physical and social characteristics. Special Reports B and C will present material on Socio-Economic Indices of Enumeration Areas and Census Data for Socio-Economic Regions respectively.

It must be pointed out, however, that some data from the volumes mentioned above, particularly Volumes IV and VI and Special Report A have already been made available to planners and research workers.

While the various publications of the 1970 Census programme are in various stages of completion, it is planned that beginning with the 1977–78 fiscal year preparations for the 1980 census of population to update the country's population statistics should get off ground. The major pre-enumeration work to be tackled first will be the geographical preparations. This will involve the division of the country into about 11,000 small Enumerations Areas (E.A.s), the preparation of E.A. Maps and the up-dating of lists of localities (towns/villages).

Other preparatory work for the 1980 census will include the testing of census questionnaires and related forms, field organization and programme for clerical and mechanical processing of the census before the census itself is started in full scale. All these tests will culminate in the Trial Census in 1979. This will be a miniature census which will aim at testing all aspects of the census procedures and organisation.

It is also expected that during the plan period—in 1978—the Demographic section of the Demographic and Social Statistics Division will provide statistical expertise for the conduct of the Ghana segment of the World Fertility Survey (WFS). Data from the survey will fill part of the gap in our knowledge of the demographic situation of the country and it will also prepare the staff for the 1980 population census programme.

During the plan period efforts will also be made to re-vitalize the other units of the Demographic and Social Statistics Division. These are: Vital Statistics, Judicial Statistics and Education Statistics.

For Vital Statistics, plans will be laid on to enable the unit process and publish with minimum delay the information on births and deaths supplied by the Births and Deaths Registry. The foundation will also be laid to enable the unit to measure the accuracy and extent of coverage of the country's Births and Deaths Registration System.

The Judicial Statistics and Education Statistics Units will continue to collaborate with the Prisons Services and the Ministry of Education respectively in the provision of data on admissions and releases from Ghana's prisons and schools' statistics at the pre-university level. It is planned that by the end of the plan period and after the 1980 population census, the period of consolidation for the Judicial Statistics and Education Statistics Units would have been completed to enable them extend their areas of coverage.

Success of the above statistical programmes depends very much on availability of resources both financial and human. At present, the Bureau is acutely short of professional skills and is also deficient in technical supporting services.

The in-service training programme of the Central Bureau of Statistics falls into two categories: on-the-job training and external training. On-the-job training in turn consists of periodic refresher courses normally associated with promotion exercises as well as day-to-day work in the sections by the supervisors. For the middle level and junior technical personnel formal training is possible at the Institute of Statistics, Legon. For senior, technical and professional personnel, graduate and diploma courses either in the local universities or at suitable institutions overseas are also available. Owing to the rigid entry requirements for the diploma courses at the Institute of Statistics, however, in the last few years it has become increasingly difficult to find places for in-service staff at these courses. In order to raise the quality of the technical staff, it is therefore planned to set up a training school on a regular basis where technical officers will receive instruction in theoretical and applied statistics and where officers can go for refresher courses. In this regard the Methods and Research Division of the Bureau is being re-organised to enable it play the role expected of it in the areas of training, research and analysis

CHAPTER 5

TRADE AND PAYMENTS

5.1 External Trade and the Ghanaian Economy

The strong connection, at least in the short run, between high performance of the economy and the capacity to finance an increasing volume of imports has already been noted. The industrialisation strategy adopted in the immediate post-independence era concentrated on import replacement production. As an incentive, investors were given easy access to cheap credit and foreign exchange for the importation of the requisite capital goods. A further incentive was the grant of automatic protection by way of high tariffs on imports of competing consumer goods. This latter policy was reinforced by the growing need to expand Government revenues for financing programmes in the public sector. The resulting high prices of the domestically produced substitutes, in part due to the high protection enjoyed, and justified under infant industry type arguments made such investments highly profitable, though it made the industrial structure biased towards consumer goods production..

The restrictions on consumer goods was expected to raise the effective savings rates and thereby provide resources for financing the investment programme. It was further expected that the high profits enjoyed under protection would even lead to the repatriation by Ghanaians of any savings they may have had abroad. As far as foreign investment was concerned import restrictions, it was felt, would lead to increased investment in Ghana by foreign firms anxious to retain their share of the local market. All of these hopes were more or less realised and substantial investments in import substitution production did take place. It would appear that the industrialisation strategy was however misdirected, at least in the sense of yielding the present structure which is insensitive to the foreign exchange limitations on the economy resulting from slow growth in the real export earnings.

Agricultural statistics are scanty and inadequate, but what commentators on the performance of the sector concede is that agricultural production over the decade of the 1960s and the early years of the 1970s was unable to keep pace with the population. References have been made to the rising imported food bill as well as to the increases in the prices of local food over the period. Thus, even if it is unfair to blame the rather poor performance of agriculture on over-emphasis on industrialisation, it remains a fact that the process of linking industry backward to agriculture was at best a slow one. The result was that any impetus that industry itself could provide became a function of the ability to provide the requisite imported inputs.

The projections of import requirements over the Plan period have been largely determined by two major considerations. In the first place high priority has been given to the provision of the necessary inputs, imported or otherwise, for the production of exportables, especially non-traditional ones. A prime focus of policy would be to induce investments and direct these toward foreign exchange earning and foreign exchange saving activities keeping a close watch on the social costs involved. In the second place, high priority has been placed on the likely effect of policies aimed at achieving greater vertical integration in the economy as a whole.

In recent years the metals sector of industry has made significant advances. Possibilities for increasing production of intermediate and capital goods to reduce the heavy reliance of industry on imports will continue to be tapped. A basic ingredient in the success of the entire Plan will be the strengthening of linkages within the sub-sectors of industry and between industry and agriculture. Continuing efforts will be made to consolidate present gains and thereby to correct the imbalances in the economy that have been created by previous policies.

In the task of correcting these imbalances which the expected tight foreign exchange situation demands, note must be made of possible strong resistance from some industrialists. Such resistance is likely to arise from the fact that the corrective measures will undoubtedly put a squeeze on the import intensive consumer goods sector, at least initially. Government is convinced, however, of the necessity to shift to higher stage industries and to promote vertical integration as the only viable wayout of our present predicament.

Due note has also been taken of the necessary time lag between investment and the flow of output emanating from it. The fact is that too rapid an acceleration of import substituting investment has the tendency to raise income and therefore the demand for imports in excess of the increases in output from fast maturing investment. The result of this is the possibility of rising prices unless the import capacity grows fast enough to allow for direct importation of more consumer goods.

Government is also aware of the limitations that the relatively small Ghanaian market may place on efforts to direct investment towards intermediate and capital goods production. Ghana will work in concert with other partners of ECOWAS to promote trade between member-states of the West Africa sub-region. In addition, greater efforts at promoting exports among the countries of the African Carribean and Pacific (ACP) States under the Georgetown Agreement will be made.

Increasing efforts will also be made to take full advantage of the new possibilities for the exports of manufactured goods which the lowering of tariff and non-tariff barriers resulting from the Lome Convention offers to ACP Countries including Ghana.

The growing markets for timber and other tropical agricultural products in the countries of the Middle East and the Socialist Block will also be targets in the vigorous export campaign that will be launched.

The efforts being made to develop a viable, net foreign exchange earning tourist industry will be expanded. It is the determination of Government that the development of Tourism in Ghana will not deteriorate into an exercise of subsidizing foreigners' consumption habits to the detriment of the nation. Finally, studies into the possibility of turning Tema into a Free Port will be completed in the Plan period. If the results prove favourable the necessary investment will be made.

5.2. Projections of Import Requirements

The overall import requirement has been obtained from the estimates of broad import groups as outlined below:

(*a*) consumer goods

(*b*) raw materials, intermediate goods and spare parts

(*c*) capital equipment and

(*d*) fuels and lubricants.

Imports of consumer goods were estimated on the basis of expectations of increasing domestic production of consumer goods both agricultural and manufactured. The details of the yearly imports for the four categories above are presented in Table 5.1 below. The table also shows the breakdown of consumer goods imports between non-durables and durables. The latter is composed mainly of imports of completely knocked-down vehicles for domestic assembly.

Imports of raw materials, intermediate goods and spare parts shown in the table were in turn derived from detailed industry requirements. A basic assumption in the projection of this category of imports is that the Operation Feed Your Industries Campaign will achieve increasing successes over the Plan period and that a growing proportion of our requirements, particularly of cotton, rubber, oil-palm products and tobacco will be locally produced to supply the corresponding agro-based industries. It was therefore felt that in real terms the growth rate of imports should decline over time although not fast enough to lead to a decline in absolute terms.

Imports of fuels and lubricants have been derived on the basis of a modest increase of just under 2 per cent per annum in the quantity of crude oil imports and an average price increase of 5 per cent a year. It is thus planned to raise the volume of crude oil from 1.15 million metric tons in 1975–76 to about 1.23 million metric tons in 1979–80. As far as petroleum products are concerned, the projections envisage that we will have to spend about ₵21 million in 1975–76 and that this bill will rise steadily to about ₵38.5 million in 1979–80. Given the allowances that have to be made for price increases, it is clear that greater economy in the use of oil and oil products will be required. In this regard it is worth noting that by far the greatest use of oil products in Ghana is made in the transportation sector. Due to the effect on the general level of prices that increased cost of transportation is likely to produce, Government has refrained from passing on the full extent of increases in the cost of crude oil; it is expected that the necessary legislative instrument will be passed early in the Plan period to allow for effective policing of the non-price rationing measures that will be adopted. In the final analysis, however, no policing of non-price rationing measures can be as effective as the willing co-operation of Ghanaians in the national effort to conserve energy and thereby reduce the adverse effect of the continuing increases in the price of crude oil on the Government budget and more importantly still on the balance of payment.

Table 5.3 provides the details of the distribution of the planned imports of raw materials, intermediate goods and spare parts for the four broad categories of industry, namely *Food, Drinks and Tobacco, Agriculture* (defined broadly to include cocoa, forestry and fishing), *other Manufacturing and Mining and Construction.* Table 5.4 presents the same information in percentage distribution. The table shows marginal increases in the share of the raw materials going into the food, drink and tobacco sector. This is due to the fact that the major inputs into this sector like wheat, milk powder, malt, hops and various concentrates and distillates have no domestic substitutes at present nor are any expected in significant amounts. Corn may admittedly be substituted for wheat and more tobacco is expected to be grown. As regards the latter, reductions in imports of tobacco leaf are not expected because of the commissioning of a second tobacco processing plant in the country. This will no doubt increase the total domestic requirements for tobacco leaf for processing. In addition, it must be noted that the processing of tobacco into cigarettes and other products under brand names places severe limitations on the extent of use of domestic substitutes.

Table 5.4 also shows significant increases in the share of inputs into Agriculture. This share rises from 5.1 per cent in 1975–76 to about 9 per cent by the end of the Plan period. The increasing share is based on the expectation that the Operation Feed Your Industries Campaign which has been launched, is expected to be in full gear by the middle of the Plan period. The production of major food crops like rice and maize, export crops like cocoa, ginger and pineapples and industrial inputs like cotton, rubber, tobacco and oil-palm under modern conditions would require substantial amounts of fertilizers, insecticides and other chemicals which will have to be imported.

The requirements of the other manufacturing and mining sector will continue to constitute the largest component of imports of raw materials and spare parts. It is planned, however, that with the recent growth of the metals sector and the increasing availability of agricultural raw materials some modest reductions in the share of imported inputs can be expected. In particular Government, through the Import Licensing System, will continue to give high priority to the domestic production of spare parts for industry. A foundry is expected to be commissioned in the Western Region as a National Investment Bank project.

It is also expected as the table shows that the construction sector will obtain increasing proportions of input requirements from domestic sources. This optimism is based on the expected increasing domestic production of such key inputs for this sector like iron rods, cement, bricks and tiles, angles and shapes and ceramic products. In addition it is the determination of Government to increase the wood content in the housing sub-sector. The relevant research findings of the Building and Road Research Institute and the Forest Products Institute of the Council for Scientific and Industrial Research (CSIR) will be subject to close examination and wherever the social benefits of their use outweigh the costs, they will be put into practice. Government would also take the necessary measures and appropriate directives will be given to these and other research bodies in related areas to bring new research in line with national priorities and objectives.

As far as import management is concerned, Government fully recognises that without such supportive policy measures as will restrain the growth of aggregate demand for foreign exchange, the quantitative controls of the Import Licensing System would be subjected to increasingly greater burden which might in the end lead to its collapse. The projections of foreign exchange would be crucial for the attainment of our goals and objectives. An important part of such management lies in the efficient allocation of foreign exchange and the smooth procurement of imports according to national priorities. Over the Plan period and beyond, the allocation of foreign exchange will be based on rational criteria and projections rather than momentum and administrative procedure. In this regard, the start that has been made to increase the analytical input into import licence allocation will be further strengthened.

The National Procurement Agency will be concerned with the importation and distribution of essential consumer goods and to a lesser extent such industrial and agricultural supplies that lend themselves to bulk purchasing. In its task to ensure that imported commodities are efficiently allocated to producers and consumers, the Agency would make use of established channels for internal distribution while taking steps to eliminate speculations in the relevant commodities. It shall see to operate by control and inducement rather than extensive operational involvement.

5.3. Projections of Export Earnings

The projections of export earnings were made on item by item basis and are presented in Table 5.5 below.

The output of cocoa beans is planned to grow at an average annual rate of 2.5 per cent during the Plan period. This, when viewed in the face of recent trends, is highly optimistic. Government, however, intends to expedite work on the study of the production and marketing problems facing the sector and to adopt appropriate policies including those relating to producer prices and the supply of essential inputs. Such policies will ensure not only a more effective use of the existing stock of cocoa trees but restore the confidence of the farmers in the future of the industry. There is growing evidence, from successive Censuses that the average age of cocoa farmers has tended to increase over time; there is also evidence of a tendency for farms to be neglected especially when pledged for loans and in some cases even to be completely abandoned to money-lenders. These are among the indications of growing loss of faith in the future of the industry. It is the view of Government that with the successful implementation of the policies envisaged, the reverses of the recent past would give way to growth and that the nation will be able to retrieve some of the grounds she lost in the early 1970s. As far as export prices are concerned, there are considerable uncertainties as to whether the highs of 1974 represent a peak or not. In the absence of any clear indications of future trends, a fixed price of about ₵1,500 per long ton has been used over the entire period.

In recent years considerable foreign exchange earnings have been obtained from the exports of cocoa products. It must be pointed out, however, that the sale on the world market of cocoa beans normally supplied to the local processing plants will have a negligible effect on world prices. There is the view that the operations of these factories involve a net loss of foreign exchange to the country. This view abstracts from employment and other effects. Efforts will be made to improve on the performance of the factories and in the interim, the volume of cocoa deliveries has been pegged at the present level. The projections assume an average annual rate of increase in earnings from this source of about 7 per cent. This is not considered unduly optimistic in view of the expectation that prices of manufactured goods generally will increase in world trade at about 10 per cent a year.

It is expected that the industrialised countries will make reasonable recoveries from the deceleration and recession which followed in the wake of the slow down in inflation and as a consequence, that the timber market will also recover from its recent slum. In addition a vigorous campaign is expected to be launched to increase exports of wood and wood products to the expanding markets of the Middle East and the socialist bloc. The volume of production is expected to grow at 5 per cent whilst prices are expected to keep pace with world inflation. Taken together earnings from timber and timber products are projected to grow at an annual rate of 15 per cent. The production of gold has been based on known and projected programmes while gold prices are expected to increase at about 7.5 per cent which is three-quarters of the assumed rate of world inflation. Recent measures to effect greater stability in the world economy and to curb inflation in the advanced countries are expected to exercise a restraining influence on the growth rates in the price of gold.

The table also presents projections for the other minerals, namely, diamonds, manganese and bauxite. Measures will be taken to closely monitor the operations of the licensed individual diamond diggers in order to increase output from this source and to reduce diamond smuggling.

Other exports comprise the non-traditional commodities like colanuts, cassava chips, rubber, electricity and various manufactured goods. On the basis of expectations of increasing trade among West African States of ECOWAS and fuller exploitation of the new opportunities for trade with the E.E.C. countries resulting from the Lome Convention, an annual growth rate in earnings of 16 per cent has been used.

Earnings from non-factor services are presented in the table on a net basis. On the receipt side are the dollar payments by Valco for their local expenditures, the foreign exchange earnings of Ghana Airways, Black Star Line and the Volta Lines as well as local expenditures of foreign shipping and airline companies in Ghana. On the debit side are included the foreign expenditures of our national shipping and airline companies.

5.4 Other Invisibles and the Current Account Balance

The projections of imports and exports of goods and services show marginal deficits for the first two years of the Plan, higher but manageable deficits in the following two years and a fairly large deficit in the last year. This pattern is in large measure the result of the ever worsening terms of trade. In particular where import prices are expected to rise steadily, admittedly at declining rate of increase over the Plan period, the average price of cocoa is expected to stagnate throughout. Thus in spite of efforts that will be made to increase the volume of output expected of cocoa, total earnings from this source will not increase by more than 2.5 per cent a year. In the meantime the volume of imports, particularly of capital equipment to support the investment programme envisaged, will be increasing in addition to price increases.

Government intends to work in concert with other developing countries at the various international fora for the establishment of a new international Economic Order. Such effort will include that for indexation of primary commodity prices to those of manufactured goods and the setting up of appropriate regulatory bodies on commodity prices in general. Ghana is a signatory to the International Cocoa Agreement and will continue to work together with other signatories to obtain the support of the consuming countries particularly the United States of America to the Agreement.

The other items on the Current Account are payments for factor services and transfer payment abroad. As a result of the determination of Government to secure the commanding heights of the economy for Ghanaians, and the decisions arising from this, the net outflow with regard to factor payments is not expected to rise much over the period. By far the largest portion of this, is in regard of repatriation of profits and dividends by foreign companies operating in Ghana. Various incentives have been offered to encourage these companies to reinvest increasing amounts of their profits in the country, especially in Agriculture.

It is the conviction of Government that the joint effort to provide raw materials for the agro-based industries in the country and to provide the basis for a cheap food policy is to our mutual benefit, for, it is only through such means that Ghana will be able to relax the strangulatory hold on her development effort that the balance of payments constraints represent. By the increasing provision of raw materials for these industries from domestic sources, and as a result of the cheap food policy which Government intends to follow it would be possible for Government to make increasing allocations of foreign exchange available for faster repatriation of profits.

The transfer payments abroad are in the main payments for interests for the external debt. These have been calculated on the basis of the Agreement reached between Ghana and her major creditor countries at the Rome Conference in April, 1974.

Table 5.6 below shows the annual deficits on the current account. These deficits represent the gross requirements of foreign resources to support the Plan. In terms of prevailing rates of exchange in 1974–75, the total gross requirement for the five-year period of the Plan amounts to ₵231.3 million.

Table 5.7 presents the details of the projections for the balance of payments. The receipts on capital account are the yearly disbursements from committed loans and grants. They also include unrepatriated profits and dividends treated as factor income payments abroad in the invisibles. The payments are made up of private and official payments of principal for short-, medium- and long-term loans. The payment schedule incorporates the Agreement reached in Rome in 1974.

TABLE 5.1

COMPOSITION OF PLANNED IMPORTS

₵'million

	1975-76	1976-77	1977-78	1978-79	1979-80
1. Consumer Goods	194.6	213.5	222.5	224.9	222.4
Non-Durable	(152.1)	(167.1)	(172.4)	(169.6)	(160.9)
Durable	(42.5)	(46.4)	(50.1)	(55.3)	(61.5)
2. Raw Materials, Intermediate Goods and Spare Parts	339.6	374.3	418.3	460.9	508.[illegible]
3. Capital Equipment	164.2	181.5	214.6	252.6	299.4
4. Fuel and Lubricants	143.9	154.0	167.6	182.3	198.[illegible]
Total Merchandise Imports ..	842.3	923.3	1,023.0	1,120.7	1,229.[illegible]

TABLE 5.2

PERCENTAGE COMPOSITION OF PLANNED IMPORTS

	1975-76	1976-77	1977-78	1978-79	1979-80
1. Consumer Goods	23.1	23.1	21.7	20.1	18.[illegible]
Non-Durable	(18.1)	(18.1)	(16.8)	(15.1)	(13.[illegible])
Durable	(5.0)	(5.0)	(4.9)	(4.9)	(5.0)
2. Raw Materials	40.3	40.5	40.9	41.1	41.[illegible]
3. Capital Equipment	19.5	19.7	21.0	22.5	24.[illegible]
4. Fuel and Lubricants	17.1	16.7	16.4	16.3	16.[illegible]
Total	100.0	100.0	100.0	100.0	100.0

TABLE 5.3

COMPOSITION OF IMPORTS OF RAW MATERIALS, INTERMEDIATE GOODS AND SPARE PARTS

₵'million

	1975-76	1976-77	1977-78	1978-79	1979-80
Food, Drinks and Tobacco ..	54.3	59.9	69.0	76.1	86.5
Agriculture	17.3	22.4	29.3	36.9	45.8
Manufacturing and Mining ..	174.6	190.9	209.2	228.1	246.7
Construction	93.4	101.1	110.1	119.8	129.7
Total	339.6	374.3	418.3	460.9	508.7

TABLE 5.4

PERCENTAGE COMPOSITION OF IMPORTS OF RAW MATERIALS, INTERMEDIATE GOODS AND SPARE PARTS

	1975-76	1976-77	1977-78	1978-79	1979-80
Food, Drink and Tobacco ..	16.0	16.0	16.5	16.5	17.0
Agriculture	5.1	6.0	7.0	8.0	9.0
Manufacturing and Mining ..	51.4	51.0	50.0	49.5	48.5
Construction	27.5	27.0	26.5	26.0	25.5

TABLE 5.5

COMPOSITION OF PLANNED EXPORTS

₵'million

	1975-76	1976-77	1977-78	1978-79	1979-80
Cocoa Beans	490.1	526.1	541.1	565.7	590.7
Cocoa Products	107.9	115.4	123.5	132.1	141.4
Timber	110.1	126.6	145.6	167.4	192.5
Gold	109.4	121.9	137.5	153.6	165.7
Diamond	14.3	16.2	17.9	19.8	22.0
Manganese	12.4	12.6	12.9	13.0	13.0
Bauxite	3.3	3.5	3.7	3.9	4.1
Others	51.4	59.7	69.2	80.3	93.1
Non-factor Services ..	3.5	8.1	10.3	14.6	22.2
Total Exports ..	902.2	989.9	1,061.5	1,150.4	1,244.6

TABLE 5.6

THE CURRENT ACCOUNT

₵'million

	1975–76	1976–77	1977–78	1978–79	1979–80
Exports of Goods and Non-factor Services	912.3	1,000.2	1,072.0	1,161.2	1,235.8
Imports of Goods and Non-factor Services	916.5	1,001.3	1,103.7	1,203.6	1,314.6
Trade Balance	–4.2	–1.1	–31.7	–42.4	–78.8
Factor Income (Net)	–21.6	–22.4	–23.6	–23.7	–24.4
Transfers (Net)	–11.5	–10.3	–8.3	–9.2	–10.0
Current Account Balance	–37.3	–33.8	–63.6	–75.3	113.2
Gross Foreign Resource Requirements	37.3	33.8	63.6	75.3	113.2

TABLE 5.7

BALANCE OF PAYMENTS

₵'million

	1974–75	1975–76	1976–77	1977–78	1978–79	1979–80
A. TOTAL RECEIPTS ..	902.7	1,025.0	1,134.3	1,192.0	1,252.2	1,304.1
(i) Exports	817.3	912.3	1,000.2	1,072.0	1,161.2	1,235.8
(ii) Merchandise Exports	820.4	898.7	981.8	1,051.2	1,135.8	1,222.4
Non-factor Services [1]	–3.1	13.6	18.4	20.8	25.4	33.4
(iii) Factor Income ..	3.4	2.4	3.4	4.3	4.9	5.2
(iv) Transfers	31.9	31.4	31.7	32.0	32.3	32.5
(v) Capital	50.1	78.9	99.0	84.6	53.8	30.6
Non-Government ..	(20.8)	(18.0)	(17.7)	(18.0)	(18.3)	(19.1)
Government	(29.3)	(60.9)	(81.3)	(66.6)	(35.5)	(11.5)
B. TOTAL PAYMENTS	1,086.1	1,051.3	1,136.4	1,232.1	1,313.9	1,407.5
(i) Imports (cif) [2]	976.0	916.5	1,001.3	1,103.7	1,203.6	1,314.6
(ii) Factor Income ..	24.5	24.0	25.8	27.9	28.6	29.6
(iii) Transfers	34.3	42.9	42.0	40.3	41.5	42.5
(iv) Capital	51.3	67.9	67.3	60.2	40.2	20.8
Non-Government ..	(30.3)	(37.3)	(36.0)	(36.2)	(18.7)	(1.4)
Government	(21.0)	(30.6)	(31.3)	(24.0)	(21.5)	(19.4)
Required Annual Gross Capital Inflow ..	183.4	26.3	2.1	39.2	61.7	103.4

[1] Include net foreign exchange earnings of Ghanaian airlines and shipping lines.

[2] Include expenditures on travel as well as those by Ghana's diplomatic missions abroad.

CHAPTER 6

FINANCING THE PLAN

The successful implementation of the targets and objectives depend on the financial strategy envisaged. Such a strategy should deal with the ways and means of financing the investment programme and the necessary measures for their achievement. It should also outline policies and measures for the effective mobilisation of both internal and external resources in line with the objectives and goals. In the formulation of these policies and measures, due note should be taken of the need to maintain internal monetary stability in order to avoid uncontrollable inflation, as well as the need for the nation to possess the capacity to service its foreign debt obligations without putting undue strain on its balance of payments. The strategy should include a review of the past performance of Government finances and provide projections of the likely availability of resources for the financing of the expenditure programme of Government, to be implemented through the annual budgets.

6.1 Past Performance of Government Finances

Examination of the Government finances over the post-independence period reveals the persistent inability of successive Governments to avoid significant deficits in the overall budget. In addition fairly substantial borrowings from the banking system have been resorted to with monotonous regularity. The reasons for the generally unhappy state of affairs in Government finances have been far from identical and have tended to differ from one Government to another.

In broad terms the differences can be explained by the differing behaviour of the following:—

(i) the ratio of cocoa revenues to nominal GDP (cocoa revenue ratio)

(ii) the ratio of non-cocoa revenue to nominal GDP (non-cocoa revenue ratio) and

(iii) the ratio of capital expenditure to nominal GDP (capital ratio).

Over the period of the first Republic, the cocoa revenue ratio followed a generally downward trend. This was due to the steep fall in cocoa export prices which moved in almost inverse relationship to cocoa output. Thus, despite continuing reductions in the producer price paid per head-load the decline in this ratio remained unchecked and by 1965 had reached a trough. As far as the non-cocoa revenue ratio was concerned, the vigorous efforts that were made in the collection of revenue were also aided by new measures and upward revision in tax rates. Such measures included the enactment of various legislations to cover areas not previously subjected to tax. Upward revisions were also made, particularly in taxes on external transactions. In its efforts to further increase revenues

Government introduced a system of compulsory savings on workers including cocoa farmers. As much from political convictions concerning the appropriate role of Government, as from a desire to provide social amenities, Government rapidly increased its capital expenditures. The capital ratio was as a consequence not only high but had a rising tendency over the period. The result of this combination of factors was a reasonable current surplus position, although large deficits persisted in the overall accounts, which were invariably financed with loans from the banking system, and external borrowing.

During the stabilisation period that followed the change of Government in 1966, substantial reductions were made in Government expenditures, particularly in the capital budget. The capital ratio fell dramatically and remained at this low level for the next six years. If anything, further slight reductions occurred in the early years of the 1970s. The downward trend in the cocoa revenue ratio was reversed, following the sharp increases in cocoa prices due to poor harvests in most producing countries and low stocks in consuming countries. As a result of amendments in, and in a few cases, the repeal of, the numerous tax legislations, the non-cocoa revenue ratio started a downward slide. Given the above trends, some improvement occurred in the overall accounts, though the current surplus position was less impressive.

The cocoa market remained generally buoyant until 1971, and with it, the cocoa revenue ratio continued its upward climb, reaching a peak in 1970–71. The non-cocoa revenue ratio, however, continued to stagnate. With the down-turn in cocoa prices, vigorous attempts were made to increase non-cocoa revenues, including such measures as increased tariffs and surcharges. A further measure, reminiscent of the compulsory savings of the First Republic, was the Special Development Levy. Other measures to increase Government saving and to improve Government finances, generally, included reductions in various subsidies payable to public sector employees, notably transport allowances and that in respect of rent for Government housing.

In the post-1972 period the capital ratio has again risen sharply and has shown a tendency to rise further. In spite of high cocoa export prices, however, the cocoa revenue ratio has tended to decline. The explanation for this has been the steady increases in producer prices that have been granted in part to check smuggling and encourage more effective husbandry in the sector. The state of continuing stagnation and noticeable decline of the non-cocoa revenue ratio is clearly unsatisfactory. While serious research is being carried out, to find ways to reducing waste in Government expenditure, a careful examination is also being conducted into existing tax rates with a view to ascertaining what changes can be made. As regards the latter, specific attention is being given to the coverage and levels of standard assessment as well as personal and company taxes.

In recent years, the changes on Government revenue for servicing the internal debt have become significant. In the first year of the Plan as much as ₵88 million will have to be found for this purpose. It is estimated that in the last year of the Plan the figure will reach about ₵130 million. These figures draw attention to the need for bringing a better balance between current revenues and expenditures than we have had in the last fifteen years or so.

6.2 Financing of the Government Investment

(i) *Government Revenues*

The slow growth of revenues and its inability to keep pace with the growth in Government expenditures give cause for concern. Ideally, revenue should be seen to be growing faster than expenditures if Government shall refrain from resorting to borrowing from the banking system to finance its part of development. In our circumstances, however, one can only hope that the elasticity of revenues with respect to GDP increases, as has been planned, rising from .57 in 1976–77 to 0.84 in 1979–80. Government intends to improve its revenue collection capacity, not through the raising of new taxes, but through the organisation of the revenue system to ensure that the tax net is widened to reduce the incidence of evasion. A tax review Committee is currently working towards a reform of our tax laws, and is expected to present its report to Government soon.

Government revenues are presented under five main heads. These are Import Duties, Export Duties, Taxes of Domestic Goods and Services, Taxes on Income and Property and Non-Tax Revenues.

(*a*) Import Duties

Since the restructuring of the Customs and Excise Tariff in 1973, there has been vast improvement in the collection of general import duties. The rates at present range from zero to 50 per cent. Relative narrowing of the range has reduced the incidence of deliberate misclassification and misdescription. With the present structure of duties and composition of imports, the average nominal duty is estimated at 45 per cent. The effective duty rate is, however, barely half of this figure. It is planned to raise the effective rate from an estimated 23 per cent in 1975–76 to 40 per cent in 1979–80. The increases in the effective rate are expected to be achieved largely by improvements in the collecting machinery. A contributory factor to the divergence between nominal and effective rates is the concessions and exemptions granted various importers. It is Government policy that the granting of concessions should be systematised with due regard to the effect of these on Government revenue and any additional contribution it may make to development.

Other taxes on imports are not expected to increase much over the next five years.

(*b*) Export Duties

Export duties are levied on cocoa, timber, gold and cola-nuts. The export price and the total expenses of the Cocoa Marketing Board

(C.M.B.) include those for administrative expenses and payments for the purchase of cocoa. In the projections, an average export price of ₵1,527.57 per long ton has been used over the entire period. The administrative expenses of the C.M.B. have been allowed an annual growth of 10 per cent.

The projections of duties on timber reflected the expected boom in earnings arising from increased exports to traditional markets whose economies are expected to make recoveries early in the Plan period

They also reflect increased earnings from exports to the markets of the Middle East where expanding demands for tropical hard woods have appeared. This revenue head has performed well since the change-over from specific rates of duty to *ad valorem* rates.

As far as the gold export levy is concerned, in line with existing regulations, an allowance of 100,000 fine ounces troy (f.o.t.) was made for each of the two major producing corporations after which an amount of ₵3.00 is levied on each f.o.t. export. Production figures have been obtained on the basis of existing and planned capacity over the next five years.

No changes are expected in revenue from kola-nuts estimated at ₵100,000.

(ii) *Government Expenditures*

Government expenditures are discussed below under three broad categories namely, (i) Recurrent Expenditures, (ii) Development Expenditures and (iii) Other Capital Expenditures.

In order to arrest the tendency for Government finances to show a persistently widening financial gap, which in the past, at least, has invariably been covered by resort to bank borrowing, it is desirable for Government expenditures as a whole to grow at a slower rate than Government revenues. This is not taken to mean that sub-items of expenditure should uniformly be constrained to grow below the prescribed rate. Indeed expenditures, whether on the current or capital budgets which promote growth and development will in general be generously provided for, subject to considerations of efficiency and prudent fiscal management. At the same time expenditures in relatively lower priority areas will be scaled down accordingly.

The detailed projections of the various heads of Recurrent Expenditure are presented in Table 6.2. The corresponding projections for development expenditure are the subject of Table 6.3. The Other Capital Expenditures comprise short-term principal debt payments and those for medium-and long-term.

The major items of recurrent expenditure for which separate projections have been made are (i) Non-debt Expenditure, (ii) Social Security Contributions by Government for its employees, (iii) the Pensions and Gratuities for employees of Government not under the Social Security System, (iv) Interest charges on the internal payments and the external debt payment.

Non-debt Expenditure is made up of wages and salaries which account for 65 per cent of the total, and expenditure on administration including purchase of office supplies. In the projections the wages and salaries component is expected to increase at an average rate of 10 per cent per annum. This is made up of a 5 per cent growth to allow for increments and promotions and another 5 per cent for the expected expansion in public employment in the process of implementing the Plan. As regards the latter it is expected that Government agencies especially those with important economic development responsibilities would have to cater for additional staff. Thus as a result of the new development expenditures to be made there will be a corresponding increase in doctors, nurses and other paramedics for new hospitals and clinics, teachers for new schools, additional expansion in employment in agriculture as well as increases in expenditure for the maintenance of new roads and buildings. Expenditures on the administration, are expected to grow in real terms at an average rate of 4 per cent per annum. In addition allowances were made for increases in prices assumed to be the same as the rate of increase in Government consumption expenditure. The 4 per cent real growth is higher than that of the recent past estimated at between 3 and 3.5 per cent. The difference is meant to cater for extra purchases that will be required in support of the development plan.

The total allowance for the expected increases in purchases is more than the mere difference shown here. This is because Government has adopted measures for the effective control of travelling and transport expenditure as well as to effect economy in the use of public utilities like electricity, water, the postal services and communications. Other measures have also been adopted for a rational and effective use of stationery and other office supplies.

On the question of subsidies, the view of Government is that these must be regarded by the beneficiaries as definitely temporary. In any event, subsidies which do not lead to increased production are inflationary and therefore conflict with other objectives of the Plan apart from the drain on resources leading to the postponement or even cancellation of other important projects.

Separate projections are presented for contribution by Government to those of its employees covered under the social security system and those like teachers and members of the Armed Forces who are on different pension schemes. In line with the existing regulations the social security contributions were calculated on the basis of $12\frac{1}{2}$ per cent of the relevant component of the wages and salaries bill. The table also shows that expenditures on pensions and gratuities will rise from a 1974–75 level of ₵29.5 million to a little over ₵35 million in the last year of the Plan period. It may be noted that while for the projections, Government contributions to social security are naturally estimated to be what is due to the particular year, historical figures include arrears and failure to pay the full account due as the case may be. The interest payments on domestic debt are estimated on the basis of the 1974–75 value together with estimates of the likely growth of the total debt and the average interest on Government debt instrument.

External transfers are made up of debt servicing charges and other transfers made by Government abroad. Debt service charges have been projected on the basis of the Rome Agreement reached in 1974.

The details of expenditures in development projects are given in Table 6.3. The table shows three categories of capital expenditure. These are expenditures in the economic sectors, the Social Services and the general services. The share of capital expenditures in the economic sectors is expected to rise steadily from a 1974–75 figure of 41.6 per cent to about 53 per cent of total development expenditure in 1979–80. After an initial increase in shares from 16.81 per cent in 1974–75 to 18 per cent in the first year of the plan, the share of expenditures for the provision of social services is expected to remain stable throughout the plan period. Expenditure on the general services is expected to decline from 1974–75 share of 41.6 per cent to 29 per cent at the end of the Plan period.

The main implementing agencies included in the economic sector are the Ministries of Agriculture, Lands and Mineral Resources and Works and Housing. In line with stated government policy of keeping agriculture at centre stage in the development effort, high priority has been given to government projects in the area of nurseries for the adequate provision of improved seedlings and suckers. Other priority areas in agriculture include expenditures on the development of dams and like projects for the conversion and effective utilisation of water for animals and crops and the provision of transportation and other facilities for extension work and the distribution of fertilizers and other chemicals to farmers. Expenditures for the development of feed-lots and community paddocks in support of livestock development programmes are expected to increase. Furthermore, the improvement of nutrition in the country calls for a steadily rising increase in the protein intake of the population. This in turn calls for an expansion in the total production of fish and a fairer geographic distribution of same. Efforts will be made to improve on the marketing infrastructure for agriculture generally and for fish in particular. In the interim, fish ponds will be developed at vantage locations particularly in the Northern and Upper Regions. In support of the expansion programme in fish production, higher allocations have been made for expenditures on the construction of harbours along the coasts and landing stages on the lake.

With the high priority given to re-afforestation programmes to ensure an adequate rate of restoration of our various resources and, in the north to check the southward creep of the Sahel, increasing expenditures are expected in this area. Provisions have also been made for both exploration and prospecting for mineral deposits. This will include work on the location and identification of deposits as well as quality tests on existing and new finds.

The maintenance and rehabilitation of trunk and feeder roads will be given high priority and as a consequence adequate provision has been made in the Plan. As regards water, it is government policy to make available to increasing numbers of Ghanaians potable water which among other things is a preventive measure against water-borne diseases.

Although in terms of its share of the total, the social sector seems to stagnate over the period, in absolute terms, its expenditure is expected to grow at 20 per cent per annum. This total rate may be broken down as follows:—a quarter or 5 per cent for expansion, which will allow social amenities *per capita* to grow by 2.3 per cent a year, a further quarter or 5 per cent for replacement, and the rest to cater for changes in prices.

In the area of general services, it has been assumed that the current level of expenditure will be maintained in real terms. The annual increases shown in the projections only allow for changes in prices. In a bid to effect economy in this sector, efforts will be made to provide more simple and cheap structures in the construction of offices. In the regions, the Regional Administration will be expected to co-ordinate and supervise office building programmes.

Table 6.4 provides the sources of finance for Government gross fixed investment. It also examines the question of financing the other capital expenditures. Expenditures for the repayment of short-term principal debt have been held at the initial level of ₵261.3 million and those for the medium- and long-term domestic debt have been similarly held at ₵53.3 million over the period. Taken together expenditures for principal debt payments run at ₵314.6 million a year for the five-year period.

(iii) *Government Financial Operations*

From the projections of Government revenues given in Table 6.1 and those for recurrent expenditures presented in Table 6.2 estimates of Government saving defined to be the difference between recurrent revenues and recurrent expenditures have been obtained. These estimates are presented in Table 6.4.

It is clear from the table that in spite of the vigorous efforts expected to be made to increase the collection of revenues and to rationalise expenditures, Government saving in no year of the Plan period will by itself cover half of the Government gross fixed investment which is the expenditure on development projects of Government. It is therefore expected that Government will take full advantage of its options under the Social Security Regulations to borrow as much as 80 per cent of the net income of the Trust in any given year. The entries for borrowing from Social Security in the table have been calculated on the basis of this assumption. As the table shows Government saving together with borrowing from Social Security will still not be enough to finance expenditures on development projects.

Further domestic borrowing from the non-bank public as well as external borrowing will be necessary. Domestic non-bank borrowing other than borrowing from Social Security is projected to rise from ₵34.3 million in the first year of the Plan to over ₵100 million in the final years of the Plan. Similarly external borrowing in support of the Government investment programme is expected to increase from under ₵20 million initially to over ₵90 million in the last year of the Plan period.

In Addition to these however, will be the expenditures to be made for domestic principal debt payments, both short-term as well as medium and long.

A growth rate of money averaging two per cent per annum was also allowed for on account of increased monetisation and the tendency for individuals to keep longer cash balances with rising incomes. While the economy may be able to tolerate more than the 14.4 per cent increase in the general price level used for 1975–76, it is important to emphasise the need for close monitoring of developments at such an initial point in time. Unduly high rates of inflation may affect expectations adversely and throw the whole Plan strategy out of gear.

Thus if the velocity of circulation increases instead of remaining constant as assumed, there may be a tendency towards subsistence production instead of increasing monetisation and specialisation and finally there may be more resources channelled into speculative endeavours instead of productive ventures.

6.3 Financing of Non-Government Gross Fixed Capital Formation

The Non-Government sector is expected to make substantial contributions towards the financing of this Plan. This is not only by the way of the savings made in this sector and lent to Government but also the mobilisation of resources in this sector for financing the investment expenditures within the sector. Table 6.5 provides details of the projections of resources expected to be mobilised by the Non-Government sector for financing its investment. The Non-Government sector includes the public boards and corporations and in the presentation of these projections it is assumed that there will be no capital transfers from Government to these public bodies over the Plan period. It is Government policy to provide where necessary, the guarantees that may be required by the financial intermediaries for the granting of loans, and the State Enterprises Commission will be effective in ensuring that such guaranteed loans are used for the correct purposes. The table shows that Non-Government sector income will rise from ₵5,246.9 million in the first year of the Plan to ₵10,303 million in the last year. With private consumption expenditures rising from ₵4,511.2 million to ₵8,800.0 million in the last year. Non-Government savings are expected to double over the Plan period. Finally, it is expected that the sector as a whole, will be able to mobilise domestic resources equivalent to about 97 per cent of its total investment in the first year of the Plan to a little over 98 per cent at the end of the period.

6.4 Overall Financing

A consolidated table is also presented for the financing by the nation as a whole of the investment programme. The details of these are given in Table 6.6. The table shows that the external resources required rise from ₵37.3 million to ₵113.2 million in the last year. On account of the rapid deterioration in the terms of trade, the share of external resources reaches about 6.1 per cent compared to the initial share of 4.1 per cent. The table also shows the net committed inflow on capital account. The uncommitted external resources represent on a disbursement basis, external loans and grants that will be required to support the Plan. It is within the capacity of Ghana to secure external resources through normal channels of the magnitude shown here.

TABLE 6.1

PLANNED GOVERNMENT REVENUES—

₵'million

	1974–75	1975–76	1976–77	1977–78	1978–79	1979–80
1. IMPORT DUTIES	**133.5**	**194.2**	**249.9**	**317.7**	**392.9**	**492.5**
2. EXPORT DUTIES	**275.6**	**254.4**	**257.9**	**258.9**	**262.7**	**265.7**
Cocoa	269.0	247.8	248.8	248.6	251.4	252.9
Timber	5.3	5.6	7.3	8.4	9.7	11.2
Cola-nuts	0.1	0.1	0.1	0.1	0.1	0.1
Gold Export Levy ..	1.2	1.4	1.7	1.9	1.5	1.5
3. TAXES ON DOMESTIC GOODS AND SERVICES	**146.9**	**292.2**	**330.3**	**374.7**	**426.1**	**485.3**
Cocoa excise duties ..	18.9	37.0	36.1	35.1	34.0	32.7
Other excise duties ..	72.3	189.9	220.3	255.6	296.5	343.9
Sales tax and others ..	51.6	61.0	69.6	79.3	90.4	103.0
Licences	4.1	4.3	4.3	4.7	5.2	5.7
4. TAXES ON INCOME AND PROPERTY	**148.3**	**198.5**	**218.8**	**241.3**	**266.3**	**294.5**
Personal	50.3	69.0	75.9	83.5	91.8	101.2
Self-employed	5.5	9.0	9.9	10.9	12.0	13.2
Companies	74.6	100.0	112.0	125.4	140.5	157.4
Mineral Duty	16.4	18.4	18.8	19.2	19.5	19.9
Tax on Rent Income ..	1.4	2.0	2.1	2.2	2.4	2.7
Other taxes on Income and Property	0.1	0.1	0.1	0.1	0.1	0.1
TOTAL TAX REVENUE ..	704.3	939.8	1,056.9	1,192.6	1,348.0	1,538.0
NON-TAX REVENUE ..	100.4	124.4	122.0	130.8	140.5	151.1
TOTAL REVENUE	804.7	1,064.2	1,178.9	1,323.4	1,488.5	1,689.1

TABLE 6.2

PLANNED GOVERNMENT EXPENDITURE

₵'million

	1974–75	1975–76	1976–77	1977–78	1978–79	1979–80
1. RECURRENT EXPENDITURE ..	803.0	937.2	1,037.1	1,157.0	1,291.8	1,439.3
Non-Debt	620.0	747.1	835.1	940.5	1,056.4	1,183.1
Social Security Contribution	80.2	48.5	53.4	58.7	64.6	71.0
Pensions and Gratuity ..		30.5	31.5	32.6	33.8	35.1
Interest on Internal debt ..	72.7	88.2	96.8	106.9	117.9	130.3
Total External Transfers ..	30.3	22.0	20.3	18.3	19.1	19.8
Of which						
Interest on External Debt	(26.5)	(17.9)	(15.3)	(13.7)	(13.7)	(14.3)
Other	(3.8)	(5.0)	(5.0)	(5.1)	(5.4)	(5.5)
2. CAPITAL PAYMENTS Development Projects ..	246.2	300.0	360.0	432.0	518.0	622.0
TOTAL EXPENDITURE ..	1,049.2	1,237.2	1,397.1	1,589.0	1,809.8	2,061.3

TABLE 6.3

BREAKDOWN OF GOVERNMENT DEVELOPMENT EXPENDITURE

₵'million

	1974–75	1975–76	1976–77	1977–78	1978–79	1979–80
Economic Sectors	102.4	133.2	167.7	210.9	264.5	329.5
	(41.6)	(44.4)	(46.6)	(48.8)	(51.1)	(53.0)
Social Services	41.4	54.0	64.8	77.8	93.3	112.0
	(16.8)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)
General Services	102.4	112.8	127.5	143.3	160.2	180.5
	(41.6)	(37.6)	(35.4)	(33.2)	(30.9)	(29.0)
Total	246.2 (100)	300.0 (100)	360.0 (100)	432.0 (100)	518.0 (100)	622.0 (100)

Note.—Figures in brackets represent percentage shares.

TABLE 6.4

FINANCING OF GOVERNMENT GROSS FIXED INVESTMENT

₵'million

	1975–76	1976–77	1977–78	1978–79	1979–80
Government Gross Fixed Investment	300.0	360.0	432.0	518.0	622.0
Financed by					
Government Saving	127.0	141.3	166.4	196.7	249.8
Borrowing from Social Security	120.7	132.8	146.1	160.7	176.9
Domestic Non-Bank Borrowing	34.3	70.4	74.1	103.6	101.6
External Borrowing	18.0	15.5	45.4	57.0	93.7
Internal Debt Payment	314.6	314.6	314.6	314.6	314.6
Non-Inflationary Increase in Credit	253.4	274.0	346.4	402.7	485.7

TABLE 6.5

FINANCING OF THE NON-GOVERNMENT GROSS FIXED INVESTMENT

₵'million

	1975–76	1976–77	1977–78	1978–79	1979–80
GDP	6,135.7	7,379.4	8,758.2	10,256.2	11,902.5
Less Increase in Stocks	–18.4	29.4	111.7	102.0	132.2
	6,154.1	7,350.0	8,646.5	10,154.2	11,770.3
Plus Domestic Transfer from Government	167.2	181.7	198.2	216.3	236.4
Less Non-Government Transfers abroad ..	15.1	16.5	16.5	16.7	16.7
Recurrent Revenue (*Less* foreign transfers to Government)	1,037.7	1,151.9	1,296.9	1,462.1	1,662.6
Net Factor Payments abroad (non-Government)	21.6	22.4	23.6	23.7	24.4
Non-Government Income	5,246.9	6,340.9	7,507.7	8,868.2	10,303.0
Non-Government Consumption ..	4,511.2	5,436.0	6,441.7	7,486.2	8,800.0
Non-Government Savings	735.7	904.9	1,066.0	1,282.0	1,503.0
Less Government Borrowing from Social Security	120.7	132.8	146.1	160.7	176.9
Other Government non-Bank Borrowing	34.3	70.4	74.1	103.6	101.6
Domestic Non-Government Resources ..	580.7	701.7	845.8	1,017.6	1,224.5
External Borrowing Non-Government ..	19.3	18.3	18.2	18.3	19.5
Non-Government Fixed Capital Formation	600.0	720.0	864.0	1,036.0	1,244.0

TABLE 6.6

CONSOLIDATED FINANCING OF PLANNED GROSS FIXED INVESTMENT

(₵' million)

	1975–76	1976–77	1977–78	1978–79	1979–80
Gross Domestic Fixed Capital Formation	900.0	1,080.0	1,296.0	1,554.0	1,866.0
Financed by					
Government Saving	127.0	141.3	166.4	196.7	249.8
Government borrowing from Social Security	120.7	132.8	146.1	160.7	176.9
Other Government Non-bank borrowing	34.3	70.4	74.1	103.6	101.6
Non-Government Domestic Resources	580.7	701.7	845.8	1,017.7	1,224.5
Total Domestic Resources	862.7	1,046.2	1,232.4	1,478.8	1,752.8
External Resources	37.3	33.8	63.6	75.3	113.2
Of which					
Uncommitted	26.3	2.2	39.2	61.7	103.4
Committed (Net) .. .	11.0	31.6	25.4	13.6	9.8
Non-Government external borrowing	19.3	18.3	18.2	18.3	19.5
Government external borrowing ..	18.0	15.5	45.4	57.0	93.7

CHAPTER 7 (1)

PLAN IMPLEMENTATION

7.1 Review of Planning experience

Although Ghana was the first government to adopt modern long-term planning, her efforts have not been accompanied by successful plan implementation. Since 1919, when the first Ten-Year Development Plan was launched by Governor Gordon Guggisberg, planning efforts in Ghana have failed as guidelines for government actions mainly because of the difficulties of managing an open economy such as ours. The major factor that has served as constraint is the reluctance of policy makers to adhere to the discipline required to sustain successful development planning.

Any successful plan is, in a large measure, dependent upon the degree to which it can serve as a guide to action by government in its development programmes as well as stimulating the private sector to modify its activities to bring them in line with plan directives and guidelines in terms of policy formulation.

Planning efforts in Ghana have been bedevilled by the importance of cocoa as the major foreign exchange earner and the instability in the international commodity markets which tend to have a destabilising effect on the economy. This external orientation of the economy means in effect that growth in output tends to be dependent upon the import capacity of the economy. Changes in output of cocoa and the prices obtained become, therefore, crucial to the success of any plan in our situation. This is mainly because changes in the prices and output of cocoa tend to have a corresponding effect on the ability of the economy and the government to finance the essential input requirements for development.

The various plans that Ghana has drawn up over the years emphasized different areas of involvement which reflect the requirements of the economy at different stages of development.

The main concern of the Guggisberg Ten-Year Development Plan of 1919 was to build up the infrastructural base of the economy in terms of the deep water harbour at Takoradi, railway development and roads as feeders to the railways with the view to promoting production of cocoa and minerals.

In 1951 the colonial government launched its Ten-Year Plan which was later abridged to five years. This plan was essentially an example of the 'shopping-list' technique. The main stress of this Plan was given to 'economic and productive services, with particular attention to agriculture in its widest sense'. This Plan was followed by the second Five-Year Plan in 1959 which recognised the importance of the agricultural sector, as well as an ambitious objective for industrial development.

The Seven-Year Plan, which can be said to have followed the modern technique of planning, placed emphasis on the modernisation of agriculture and the promotion of industrial activity based on a policy of import substitution. The nature of the substitution policy, based as it was on imported raw materials, was soon to have serious foreign exchange implications for the economy. It is for this reason that any plan for reconstruction must be based on the marriage of agriculture and industry to ensure that agriculture feeds industry and at the same time benefits from industrial expansion.

The experience of Ghana with plan implementation shows that there are two sets of forces that tend to militate against successful implementation. The first set of forces may be classified as beyond the control of those charged with plan implementation. They include inadequate political commitment, political instability, natural disasters and severe unanticipated adverse movements in the terms of trade.

The second set of forces are relatively more within the ambit of planners and include inadequate involvement of the agencies expected to implement the plan in the process of plan preparation, inadequate institutions, shortage of skilled manpower and inadequate policy instruments and projects. Attention has been called, however, to the need for Ghana to work in concert with other developing countries, at international fora for the establishment of a new economic order that will either completely eliminate the secular tendency for our terms of trade to deteriorate or at least ameliorate the effects of this tendency.

7.2 Institutional Framework

7.2.1 The National Economic Planning Council (N.E.P.C.)

In order to ensure adequate political commitment as well as adequate involvement of Ghanaians generally and of those agencies expected to play a key role in plan implementation in the preparation of the plan, the National Economic Planning Council (N.E.P.C.) was established and charged with the task of preparing this plan. The N.E.P.C. is a 33-member body with the Head of State as its Chairman and Commissioner for Economic Planning, as Vice-Chairman. The Council also includes as members, the Commissioners for the Key Ministries of Agriculture and Industries. In addition the administrative heads of all the key ministries are *ex officio* members of the body. To give the N.E.P.C. a broad base, its members also include representatives of the Trades Union Congress, the Manufacturers Association, the National House of Chiefs, the National Chamber of Commerce and the Co-operative Movement. Various individuals who have attained national recognition are also included in the membership. Six of the 33 members, designated permanent members are charged on a full time basis with responsibility for the various sectors and regions of the economy.

The Ministry of Economic Planning acts, in addition to its other functions as the Secretariat of the N.E.P.C. The Ministry itself has Regional Planning Officers who serve as Secretaries to the Regional Planning Committees. In addition, there are Planning Units in all the key ministries, which work as integrated parts of their respective ministries and also act as points of contact with the Ministry of Economic Planning.

By its inclusion of the Special Assistant to the Commissioner for Finance, the Senior Principal Secretary and Administrative Head of the Ministry of Finance, Director of Budget, the Governor of the Bank of Ghana and the Director of Planning, the N.E.P.C. makes a close and continuous consultation and collaboration possible between the Ministry of Economic Planning, the Ministry of Finance and the Central Bank.

7.2.2 Ministries of Finance and Economic Planning

The Ministry of Economic Planning is responsible for the co-ordination of both the development plan and the development budget, while various Ministries and Departments carry out their implementation The implementing agencies then present warrants to the Ministry of Finance who authorise payment for work done. In the course of the implementation of a programme, situations often arise where unforeseen bottlenecks develop, calling for quick corrective measures, as well as variations not only in the amounts allocated, but also changes in the schedule of work envisaged at the beginning of the period. For an effective monitoring of such developments, it is important that strong communication is maintained, between the implementing agencies and the Ministry of Economic Planning, and also between the latter and the Ministry of Finance. What this amounts to is that warrants for payment of work done should be passed by the Ministry of Finance, only with the approval of Economic Planning which originally prepared and approved the expenditures. During the plan period, therefore, a three-tier system of control and supervision of the implementation of the plan will be observed. The two central ministries of Finance and Planning will be brought closely together to work with the planning units of the executing Ministries.

In the preparation of the 5-Year Plan, the N.E.P.C., with the assistance of the Ministry of Economic Planning, issued its guidelines in January, 1975. These guidelines were approved by the N.R.C. and were adopted by the various Ministries as the framework for the preparation of Sector programmes. The executing agencies who actually initiated the formulation of the programmes and projects from the local and regional levels to the national level have been deeply involved in the preparation of this final document. It is important for these agencies as well as the Central Ministries of Finance and Planning to consider the plan formulation and implementation as parts of one exercise, and see it as a continuous process of monitoring, reviewing and making adjustments where appropriate.

Each spending Ministry will have planning and budget officers, whose responsibilities will be to review and monitor development programmes, and advise the Ministries of Finance and Planning on a regular basis. In addition, the Regional Planning Officers who serve as Secretaries to the Regional Planning Committees will report to the Ministries of Economic Planning and Finance, on a monthly basis. The staff of the Ministry of Economic Planning will follow up the regional and developmental reports with regular visits to project sites with a view to identifying problems for corrective measures where necessary

7.2.3 Regional Planning Committees

The principal functions of these Committees are to serve as the central planning advisory agencies in the regions in much the same way as the National Economic Planning Council serves as the central planning advisory agency for the nation as a whole. They will be composed of Regional Commissioner as Chairman, the Regional Administrative Officer as Co-ordinator, Regional Heads of Departments, Representatives of District Councils and other public spirited individuals. Within the framework of broad policy directives issued by the Central Planning Agency, the functions of the Regional Planning Committees will be:—

(i) To develop the natural resources of each region by identifying the principal areas of growth and the bottlenecks hindering the expansion of existing agricultural and industrial activities of the region and by identifying the main opportunities for new agricultural and industrial developments;

(ii) To develop the human resources of the region by identifying and solving the specific manpower needs of the region in relation to the present economic activities operating in the region as well as for future requirements;

(iii) To co-ordinate the development programmes of the different government agencies in the districts and in the region in order to make them harmonious and consistent with each other and also with those of private enterprises;

(iv) To review monthly progress in the implementation of the national development plan and budget and to submit quarterly reports;

(v) To encourage the growth of new centres of economic activity in the Region.

7.2.4 Regional Development Corporations

These institutions have been established in the Regions to provide added impetus to the development efforts of Government in the rural areas. As profit-making agencies, the Regional Development Corporations have tended to concentrate on quick profit-yielding projects without making the desired development impact on the economies of the region in which they operate. The Regional Development Corporations will now assume the positive role of increasing production and employment in the rural areas. To do this, they will invest in the production of agricultural raw materials such as oil palm, cotton, sugar-cane, groundnuts, coconuts pineapples, tomatoes, etc. to feed existing agro-based industries or as a basis for the establishment of new processing factories. The ultimate goal of these new lines of investment in the regions will be to lay the foundations for the development of new areas of economic activity in each region.

The Regional Development Corporations will be the principal instruments for attracting investment Capital into the regions. To achieve this objective, they will go into partnership with individuals, groups of individuals and national financial institutions for the establishment and operation of economic enterprises for the production, processing and distribution of food and raw materials. The storage and distribution of perishable food items pose serious problems. The Regional Development Corporations have to examine opportunities for establishing joint-ventures for wholesale handling of such items and the establishment of a market network throughout the country. The aim should be to enable farmers and fishermen receive a fair price for their produce which the middlemen currently deprive them of. In a sense this will also provide a measure of protection to consumers who are charged exorbitant prices which result from the malfunctioning of the system of distribution.

7.2.5 District and Local Councils

The Regional Administration will also ensure that District and Local Councils play positive roles in their respective districts by identifying opportunities for investment in productive ventures in agriculture and industry and in expanding existing economic activities operating in the districts. The District Councils will also ensure that development programmes and projects outlined in the Five-Year Plan for the district are promptly executed and the status of these projects transmitted regularly to the Regional headquarters.

The District Chief Executive is Chief Co-ordinator and the pivotal point around whom the development programmes and projects of the district will revolve. The functions of these Councils as fully defined in the Legislative Instrument establishing them, have strong developmental orientation, covering public health and public works, educational, social welfare recreational and community development activities, transport and communication, agriculture and forestry, trade and industry.

In line with the broad policy objectives determined at the Regional level, and within the framework of authorised activities under their instrument, the district planning committee will be responsible for:—

(i) drawing up the development programmes for the district;

(ii) ensuring the execution of the development programmes as approved at the Regional level.

7.3 Instruments of policy

The implementation of the Five-Year Plan has two main parts, viz., the implementation of the Government investment programme, and the inducement of the private sector to adopt the policies meant to ensure the achievement of the overall plan objectives. As far as the implementation of the Government programme is concerned, the annual budgets will continue to be the main instrument for translating the plan into concrete terms, subject to periodic reviews. Government does not have a direct way of ensuring that activities of the private sector are properly aligned with the stated goals and objectives. The only way in which Government can induce and assist developments in the private sector in the national interest, lies in the translation and enforcement of the policy measures that have been spelt out in Chapter 3, which if followed, will guide the private sector to comply with the wishes of Government.

In this regard, it is expected that the various Ministries will take due note of policy measures that relate to their areas of influence and ensure that those measures are given the appropriate legal frame and are properly pursued. It must be emphasised that just as the preparation of this plan involved the whole of Government machinery, with programmes and projects emanating from spending agencies, so is it important that all Ministries and Departments consider themselves part and parcel of a unified team responsible for implementing the plan.

The import licensing system will be further refined to reflect the priorities of this Government in order to ensure that we maintain a reasonable balance of payment position, and at the same time encourage the types of imports that are in line with the pursuit of our stated objectives. In our circumstances, strict discipline will have to be observed not only in the formulation of the annual import programmes, but more importantly, in the allocation of import licences.

In the area of credit, the new credit guidelines will be rigorously adhered to. In addition to the normal guidelines that the central bank issues from time to time, new introductions, are the fondo type system and the unit banking establishments, which seek to influence not only the sectoral allocation of credit, but also promote activities at the small-scale level in the rural areas. The National Investment Bank, the Agricultural Development Bank, the Office of Ghanaian Business Promotion and the Co-operatives Bank will be expected to make a growing impact on developments in the private sector, particularly in Agriculture.

Skilled Manpower

Shortages of skilled manpower may constitute a major bottleneck to successful plan implementation. Generally speaking, matching training with job requirements needs long-term planning. In the shorter term, however, and for the purpose of implementing the five-year plan, the issue of the supply of skilled manpower will be met through a series of short-term courses of instruction. In this regard, the Ghana Institute of Management and Public Administration (GIMPA) and the Productivity Institute are expected to play a very active role in imparting reasonable levels of skills to groups of employees who will from time to time be sent to them for orientation courses.

MEMBERSHIP OF THE NATIONAL ECONOMIC PLANNING COUNCIL

1.	The Chairman of the Supreme Military Council.	General I. K. Acheampong	*Chairman*
2.	The Commissioner responsible for Economic Planning.	Col. R. J. A. Felli/Dr. R. K. A. Gardiner.	*Vice-Chairman*
3.	The Commissioner responsible for Agriculture.	Col. F. G. Bernasko/Col. P. K. Nkegbe.	*Part-time Member*
4.	The Commissioner responsible for Industries.	Col. G. Minyila	*Part-time Member*
5.	Dr. K. D. Fordwor	—	*Part-time Member*
6.	Mr. R. A. Basoah	—	*Permanent Member*
7.	Mr. B. K. Mensah	—	*Permanent Member*
8.	Mrs. Gloria Nikoi	—	*Permanent Member*
9.	Mr. K. A. Karikari	—	*Permanent Member*
10.	Dr. A. Abudu	—	*Permanent Member*
11.	Dr. J. L. S. Abbey	—	*Permanent Member*
12.	The Governor of the Bank of Ghana.	Dr. Amon Nikoi ..	*Part-time Member*
13.	Mr. J. H. Frimpong-Ansah ..	—	*Part-time Member*
14.	Dr. A. N. Tackie	—	*Part-time Member*
15.	Dr. G. K. Agama	—	*Part-time Member*
16.	Mr. K. Amoako-Atta/ Mr. Kofi Badu.	—	*Part-time Member*
17.	Mr. A. K. Pianim	—	*Part-time Member*
18.	Prof. K. Twum-Barima ..	—	*Part-time Member*
19.	Prof. E. A. Boateng	—	*Part-time Member*
20.	Two representatives of the Universities.	Mr. J. E. A. Manu .. Dr. Y. A. N. Akyeampong	*Part-time Member*
21.	A representative of the National House of Chiefs.	Nana Antwi II	*Part-time Member*
22.	A representative of the Trades Union Congress.	Mr. A. B. Quarmine ..	*Part-time Member*
23.	A representative of the Manufacturers' Association.	Mr. S. J. Anie/Mr. J. K. Rockson.	*Part-time Member*
24.	A representative of the Chamber of Commerce.	Mr. J. Amoo Mensah	*Part-time Member*
25.	A representative of the Co-operative Council.	Mr. B. K. Senkyire	*Part-time Member*
26.	Senior Principal Secretary, Ministry responsible for Finance.	Dr. A. K. Appiah/Mr. K. Anane-Binfo.	*Ex officio Part-time Member.*
27.	Director of Budget	Mr. G. K. Sackey ..	*Ex officio Part-time Member.*
28.	Princial Secretary, Ministry responsible for Lands and Mineral Resources.	Mr. T. R. D. Addai ..	*Ex officio Part-time Member.*
29.	Principal Secretary, Ministry responsible for Agriculture.	Mr. P. E. Pentsil ..	*Ex officio Part-time Member.*

30. Senior Principal Secretary, Ministry responsible for Trade.	Mr. K. B. Asante/Mr. B. K. Otoo.	*Ex officio Part-time Member.*
31. Principal Secretary, Ministry responsible for Industry.	Mr. T. M. Dade/Mr. G. T. Oddoye.	*Ex officio Part-time Member.*
32. Managing Director, Ghana Industrial Holding Corporation.	Mr. M. Dugan	*Ex officio Part-time Member.*
33. Executive Director, Manpower Board.	Mr. S. B. Jones	*Ex officio Part-time Member.*
34. Technical Director (Works), Ministry of Works and Housing.	Mr. E. Y. S. Engmann ..	*Ex officio Part-time Member.*
35. Principal Secretary, Ministry of Economic Planning.	Mrs. M. Chinery-Hesse ..	*Secretary.*

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