

**DEVELOP A PLAN FOR NATIONAL CONSULTATIONS  
ON A POLICY AGENDA**

**Submitted to:**

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**by:**

**Sigma One Corporation**

**for:**

**Trade and Investment Reform Program (TIRP)  
Improved Policy and Financial Intermediation Project  
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**In fulfillment of:  
Milestone 1.5**

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**Sigma One Corporation**

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Trade and Investment Reform Program (TIRP)  
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**Milestone 1.5** Develop a plan for National Consultations on a Policy Agenda

**Introduction**

Resolution of the difficult economic decisions facing Ghana today will be aided by a process of national consultations that informs people of the issues that require policy attention, educates them on the issues and informs the public that the issues identified are or have been addressed. To achieve a national consensus on pragmatic policy choices for accelerated growth, a plan for national consultations on the choices facing Ghana brings together people from the private sector, labor and government to participate in an informed dialogue on the issues facing the economy.

A number of the TIRP activities will be part of the Government plan for national consultations. This plan includes analysis and communication activities. The following activities form components of the national consultations plan.

**Procedure for Implementation**

**1. Policy Agenda**

The first element is an agreement on the economic policy issues to be discussed. Within the context of the TIRP project the policy agenda is focused on international competitiveness which is determined by the following fundamentals:

- 1) public sector balance
- 2) financial market performance (domestic and international)
- 3) the trade regime
- 4) the external balance
- 5) factor market flexibility and performance (especially the labor market)
- 6) the role of government. The ability to remove the policy impediments to competitiveness in these key domestic policy areas will determine Ghana's international competitiveness.

The specific policy issues that require priority attention over the next 15 months are presented in Table 1, attached. This agenda may change or be modified in response to the emergence of international or domestic economy shocks. As these constraints are addressed, the specific policy priorities will be adjusted.

2. Addressing the policy agenda will require analysis of alternatives and the building of a consensus for change. Sigma One Corporation will in January 1999, begin a monthly seminar series at their Accra Office. These seminars will have presentations addressing various aspects

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of the TIRP policy agenda. The invited speakers will include senior Ghanaian policy analysts, policy makers, donor consultants and Ghanaian researchers. The presentations will include discussions on issues, presentation of results of analytical work on the issues and recommendations for actions. Those invited to the seminars will be respected public, private and labor sector leaders. The seminars, depending on the subject will highlight a problem that needs addressing, results of analytical work on issues and/or presentation of recommended policy actions that are required to deal with the problems. The results of these seminars will be disseminated to appropriate opinion leaders through a mailing list discussed below.

3. TIRP resources will also be used to sponsor presentations by distinguished international economists and financial leaders on key policy issues and participate in discussions on the strategies and actions needed for achieving the needed level of international competitiveness. These visits by distinguished economists and financial leaders will promote improved discussions and dialogue.
4. Addressing the policy agenda will at times require changes in laws. This means that Parliament must be informed of the policy issues and choices. A protocol has been developed for review by the IMCC that will include specific actions to keep Parliamentarians briefed on key issues. The strategy includes three sets of activities:
  1. The Majority and Minority leaders for all key Committees concerned with economic issues will be invited to attend or send representatives to all relevant seminars, briefings and working dinners, as well as included on the mailing list to receive project briefs and documents.
  2. Appropriate parliamentarians will be invited to serve as members of working groups, such as the financial sector working group.
  3. Special briefings and seminars will be designed at the request of parliamentarians to brief them on critical issues.

These activities will promote communication between Parliament, analysts and policy makers.

5. Participatory policy dialogue will improve communication on the nature of the economic policy issues facing Ghana and their solution. Participatory policy dialogue will be promoted by the formation and utilization of task forces composed of public, private and labor sector members. These task forces will address special topics that deal with factors affecting Ghana's international competitiveness such as problems of fiscal deficit control, trade and export development, monetary management, labor sector rigidities etc. Participation of public/private sector members at the initiation of the analysis will promote public/private sector partnership.
6. National Economic Forums in recent years have played an important role in the process of national consultation and dialogue on the economy. The use and value of the Forum is

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described in a separate paper. However, a review of the experience of recent years is that the use of Forums and Conferences to promote informed discussion of economic issues has been helpful in promoting policy change. The continued use of the Forum concept is an important component of a strategy to promote national consultations. The Government of Ghana has improved their effectiveness over time and will continue to do so.

7. An important aspect of a strategy of promotion of National Consultations is the existence of a flow of information that provides information and material that will inform. In addition to the above cited use of seminars and task forces, the presentation of special and/or recurring reports will further enhance the national dialogue and consultation process. Several activities are planned that will communicate the problems facing the Ghanaian Economy through a reporting process:
  - a. An annual report on the state of Ghana's international competitiveness will be initiated. This report, to be done on an annual basis in collaboration with one or more Ghanaian institutions will review the performance of the Ghanaian economy. This will involve monitoring the progress of the Ghanaian economy toward increased international competitiveness. This report will be presented in a special conference and will form the basis for radio and television talk programs which will further enhance the concept of and need for improved competitiveness.
  - b. On a quarterly or semi-annual basis the TIRP project will issue a newsletter that will review progress in implementing recommendations from national and sectoral economic forums and conferences. In addition, a review of economic policy actions that enhance or retard economic competitiveness will be reported in the newsletter.
  - c. Consultant reports on special economic topics such as the fiscal deficit, tariff reform, broad based taxation, labor market reform, savings and investment, the cocoa sector, etc. will, as appropriate, be summarized into 2-4 page briefs that will be circulated to economic and political leaders.
  - d. A mailing list of opinion leaders has been drafted who will receive the briefs and newsletters and from which committee participation lists can be formed.
  - e. Beginning in 1999, Town Hall meetings will be held in two Regional capitals. These meetings will make presentations on key economic issues facing the economy. Holding the meetings in Regional Capitals will provide the opportunity for public and private sector leaders in the Regions to have a greater opportunity to be involved in the national consultation process and increase public awareness of and information availability on the issues

**Table 1**

**Draft Policy Agenda**

**I. Fiscal Planning and Accountability**

- (1) *Incorporate the Broad Budget as the single approved budget for fiscal expenditures (Fiscal Plan for the Nation)*

The preparation of this fiscal plan will include the domestic currency requirements to counterpart international development assistance. It must be developed in close consultation with the Regional Ministers and their advisers to ensure regional investment programs are focused on international competitiveness with due regard to human and social welfare issues.

- (2) *Timeliness of the Fiscal Planning Process*

All parties agree that the new fiscal plan in (1) above will be prepared with sufficient time for submission to Parliament and debate therein.

- (3) *Expenditure Control and Accountability*

There is a need for an expenditure control system that links all government expenditures recurrent and nonrecurring (as well as the traditional Narrow Budget and Broad Budget items) to specific line items in the Parliamentary approved Budget.

- (4) *Repayment of Debt*

The government will examine the debt repayment schedules and its international borrowing when considering its fiscal plan.

- (5) *Divestiture of Public Enterprises*

Budget should account for any proceeds from the divestiture of Public Enterprises.

## Draft Policy Agenda (*continued*)

### II. Monetary Management and Accountability

#### (1) *Disclosure of Targets for Monetary Aggregates*

The Governor of the Bank of Ghana informs the Nation of the targets which have been agreed for monetary aggregates, credit to the public sector and foreign reserves.

The Bank of Ghana will consider eliminating the use of the nominal exchange rate as an anchor for the economy. The use of the nominal interest rate must be recognized as a consequence of monetary policy and neither a target nor an instrument .

#### (2) *Monetary Policy Instruments*

The Bank of Ghana will agree to review Open Market Operations with a view to streamlining the role of BOG Bills and Treasury Bills to make the Open Market Operations more transparent, *ex post*, and unpredictable on an *ex ante* basis.

#### (3) *Relationship of Bank of Ghana to Treasury*

The Government and the Bank of Ghana will jointly review the process for and use of the following practices:

- (a) ways and means advances;
- (b) revaluation account;
- (c) dividend payments and other extraordinary transfers from the Bank of Ghana to the Treasury; and
- (d) direct transfers from the Bank of Ghana to parastatal enterprises.

#### (4) The Government and the Bank of Ghana will jointly examine the debt repayment schedules and international borrowing when considering monetary and exchange rate policy.

## **Draft Policy Agenda (continued)**

### **III. Revenue Generation and Broad Based Taxation**

(1) *Review of VAT Implementation for Purpose of Broadening its Coverage*

(2) *Direct vs. Indirect Taxation*

The Government would review the taxing system to identify taxes that are nondistorting and not so specific that groups can lobby for exoneration.

(3) *Uniform and Lower Tariffs*

The government will agree to study the revenue effects of uniform and lower tariffs.

(4) *Pricing of Publicly Provided Goods and Services*

The Government will review import parity pricing and/or full cost recovery for publicly provided goods and services (utilities, petroleum products, transportation, buses, ship lines, Ghana Airways, etc.)

The Government will review the use of concessions and tolls to promote investment in an operation of improved public infrastructure (roads, ports, airports, sewage systems, public utilities, etc.).

## **Draft Policy Agenda** *(continued)*

### **IV. Trade Reform**

(1) *Uniform and Lower Tariffs*

The government will implement uniform and lower tariffs, eliminating exonerations and exemptions to the fullest extent possible.

(2) *Duty Relief Systems*

CEPS will implement some refinements needed to perfect the duty drawback system and other duty relief systems for intermediate inputs used in production of exportable goods and services.

(3) *Streamlining Customs Clearance Procedures*

CEPS will streamline the customs clearance procedures for imports and exports.

(4) *Integration of VAT and Tariff Structure*

CEPS and IRS will integrate the VAT and tariff structures to promote uniformity of taxation, in order to eliminate unintended disparities in effective protection across product lines.

## **Draft Policy Agenda** *(continued)*

### **V. The Role of Government**

#### *(1) Review of Government Support for Private Sector Activities*

The public private partnership will review the role of government in support of the private sector activities with the intent to provide broad based and diffuse services rather than explicit or implicit sectoral or firm level support. (The Government will not “pick winners”).

These issues include:

- (a) GIPC will further enhance its role as a promoter of investment rather than a controller of investment.
- (b) GEPC will enhance its ability to deliver broad based promotion services .
- (c) The Business Assistance Fund would be eliminated.
- (d) Review of implicit or explicit prohibitions of exporting and importing in specific commodities with a view of eliminating quotas and prohibitions.
- (e) Overall review of government hassles that impede business formation, international trade and the domestic movement of goods and services.
- (f) Further Divestiture of State Owned Enterprises.
- (g) Decentralization of Government.

## **Draft Policy Agenda (*continued*)**

### **VI. Streamlining the Performance of Factor Markets (Labor, Land and Financial Sector)**

#### *(1) Labor Markets:*

Undertake a Tripartite Review(Government, Labor Unions, Employers) of Labor Market practices to increase labor market flexibility while providing adequate worker protection with respect to work place safety, health and welfare, pension and tenure benefits, and worker's rights to collective representation.

#### *(2) Land markets:*

Review urban and rural land tenure practices to identify opportunities to institute secure usufruct rights with full acknowledgment and respect of cultural land tenure practices.

#### *(3) Financial Engineering*

The Government would agree to consider the recommendations of the financial sector working group.