



INSTITUTE OF STATISTICAL, SOCIAL AND ECONOMIC RESEARCH (ISSER)

College of Humanities, University of Ghana

Vol. 5

MARCH, 2017

POLICY BRIEF

ISSER 2017 POST-BUDGET ANALYSIS

“Sowing the seeds for Growth and Jobs” Budget

INTRODUCTION

The Minister of Finance, Hon. Ken Ofori-Atta on March 2, 2017 presented to Parliament, the first Budget Statement and Economic Policy of the NPP Government.

As budgets serve many purposes in an economy and could have medium to long term repercussions for a country, it is incumbent on social scientists to examine the document critically and give their informed perspectives for policymakers and other stakeholders.

It is in the light of this that Economists at the Institute of Statistical, Social and Economic Research, ISSER, University of Ghana carried out an evaluation of the 2017 Budget Statement and Economic Policy and our official opinion are hereby stated.

MACROECONOMIC CONTEXT

The Ghanaian economy has had a history of economic seesaws or business cycles - recessions and recoveries - over the last 60 years. The business cycle is the cyclical movement of the economy through periods of boom and bust. It involves an expansion in economic activity (measured by indicators such as increases in output, employment, and profits) followed by a contraction (downward turn in economic activity measured by indicators like declining production, unemployment, business losses and bankruptcies).

The 2017 Budget has been prepared in a very tough economic environment. These are extraordinary times. The Ghanaian economy is currently experiencing major macroeconomic challenges with slower growth, high internal and external imbalances, and lack of adequate energy supply to support private sector growth. Global conditions have exposed Ghana's own internal structural weaknesses.

The cost of doing business in Ghana remains very high, due to significant challenges related to energy, transport, communication, and administrative barriers and exacerbated by the increases in utility tariffs and taxes in the last year of the erstwhile NDC administration.

In the words of the Minister of Finance, Hon. Ken Ofori-Atta, we should all acknowledge that we have a challenged economy with:

- Considerable debt overhang and rising interest payments caused by excessive borrowing;
- Expenditure overruns and accumulated arrears caused by fiscal indiscipline, excessive sole sourcing and weak commitment controls;
- Revenue under performance caused by leakages, loopholes and tax exemptions;
- Slowdown in economic growth caused by energy challenges and a lack of an enabling environment for the private sector; and
- Limited capital investment, among others, due to rigidities from earmarking of revenues that severely limit the fiscal space and undermines the prioritisation of government policies.

THE ECONOMIC PHILOSOPHY BEHIND THE 2017 BUDGET

Government budgets serve many purposes in developing countries – to provide for internal and external security, encourage growth, and redistribute income as well as help to manage the economy in the short to medium term. Whenever policymakers seek to influence the economy, they have two main tools at their disposal - monetary policy and fiscal policy. Monetary policy lies in the domain of Central banks, which they employ to indirectly target activity by influencing the money supply through adjustments to interest rates, bank reserve requirements, and the purchase

and sale of government securities and foreign exchange. Fiscal policy is a tool in the hands of Finance Ministers used to influence the economy by changing the level and types of taxes, the extent and composition of spending, and the degree and form of borrowing.

The basic Keynesian framework for macroeconomics is the concept that in equilibrium

$$GDP = C + I + G + NX.$$

On the left side is GDP - the value of all final goods and services produced in the economy. On the right side are the sources of aggregate spending or demand - private consumption (C), private investment (I), purchases of goods and services by the government (G), and exports minus imports (net exports, NX). This equation is evidence that governments can affect economic activity (GDP) by controlling G directly and influencing C, I, and NX indirectly, through changes in taxes, transfers, and spending.

We need to emphasize that the 2017 Budget has been mainly anchored on a strong fiscal stimulus or an expansionary (or “loose”) fiscal policy coupled with the usual price stability measures of the Central Bank.

According to the Finance Minister, this Budget “will set the pace for job creation and accelerated growth by empowering the private sector. To accomplish this, we will shift the focus of economic management from taxation to production. This will reduce the cost of doing business and create a conducive climate for investment and job creation. In this regard, a number of taxes that impede growth will be reviewed, and if necessary, abolished. Government will reverse the recent low growth trend by boosting agriculture and industrial productivity” (GoG, 2017).

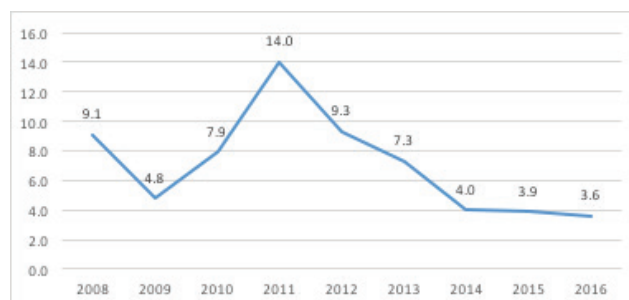
Expansionary fiscal policy involves government attempts to increase aggregate demand, through either increases in government spending or reductions in taxes and lead to higher economic growth. Expansionary fiscal policy is most appropriate when an economy is in recession and producing below its potential GDP. Expansionary policy can do this by (1) increasing consumption by raising disposable income through cuts in personal income taxes; (2) increasing investments by raising after-tax profits through cuts in business taxes; and (3) increasing government purchases through increased spending on final goods and services.

The role of expansionary fiscal policy gained prominence during the recent global economic crisis, when several governments stepped in to support financial systems, jump-start growth, and mitigate the impact of the crisis on vulnerable groups (IMF, 2008). In April 2009, leaders of the Group of 20 industrial and emerging market countries issued a communiqué following their London summit, stating that they were undertaking “unprecedented and concerted fiscal expansion”.

THE REAL SECTOR

The rate of economic growth has slowed down in recent times, with 2016 growth estimated at 3.6 percent, the lowest in over two decades. In fact, this is the first time we are witnessing five consecutive years of consistent year-on-year decline in economic growth (Figure 1).

Figure 1: Annual Real GDP Growth (%), 2008-2016



Source: GoG (2017)

The economy is projected to expand by 6.3 percent in 2017, with non-oil GDP growing at 4.6 percent over the period. The central plank of the 2017 National Budget is the increase in economic growth resulting essentially from the revival of the oil and gas industry. The industry which suffered a negative 11.2% growth rate in 2016 is expected to drive growth based on an expected whopping 30.2% growth rate. This very high growth rate is due to the expected coming on stream of the production of new oil fields and increased production of gas from the Atuabo gas plant.

Another aspect of the high growth rate of the oil and gas industry is due to the expected completion of repair work on the 2016 damage on the turret bearing on FPSO Kwame Nkrumah using a three-phase approach to convert the facility to a permanent spread-moored one. Hence the expected growth rate of the oil and gas industry would also critically depend on the success of this repair work.

The questions we pose are: Are the underlying assumptions about the turnaround of the oil and gas sector realistic? What are the downside risks? How inclusive will this growth be and how will it reduce poverty and inequality?

FISCAL DEVELOPMENTS

2016 Fiscal Performance

Fiscal targets, as with almost all election years, were missed in 2016. This was not entirely unexpected even though we were in an IMF programme.

- As a share of national income, government spending peaked at 37 percent following the 2012 elections. Since then, however, spending fell sharply as a share of GDP, until 2015 in preparation towards incumbency advantage in the 2016 elections (Figure 2)

- On a cash basis overall target was a deficit of 5% of GDP but the realized was 8.7% (3.7 percentage points difference).
- On a commitment basis the target was a deficit of 3.7% of GDP but the realized was 10.3% (6.6 percentage points difference).

Figure 2: Government Spending and Revenue as share of GDP, 2002-2016



World Bank (2016) and ISSER (2016)

Even though both expenditure and revenue contributed to this slippage, the magnitude of the slippage was much higher for expenditures, which was GHS7.1 billion as compared to GHS4.2 billion for revenue and grants.

- Expenditure target was 26.4% of GDP but realized was 30.3% of GDP
- Revenue and grants target was 22.7% of GDP but the realized was 20% of GDP.

From the revenue side, the slippage came mainly from direct taxes, where company taxes and also personal income taxes experienced key slippages. The other important component of the revenue slippage was from international trade taxes.

- Firstly, this suggests that the inability to grow jobs and income of the average working person is what largely accounted for the revenue shortfall.
- Secondly, the emphasis on taxes to expand the fiscal space was probably sub-optimal. Tax revenue targets were largely missed.

From the expenditure side, the largest slippage (in terms of magnitude) came from other outstanding expenditure claims which previously had not been planned for. These were expenditures classified as goods and services and capital expenditure. These contributed about 45% of the total absolute deviation (i.e. slippage).

- For almost all the statutory funds, the actual expenditures were less than the planned (the only exception being an item called 'Other earmarked funds').
- The next two biggest contributions to the deviations were capex and expenditures on goods and services (contributing 11.6% and 9.8% respectively)
- So, generally government's overspending came from unbudgeted outstanding claims, capital spending, and on goods and services. These items very much lend themselves to the hypothesis that electoral cycles tend to drive indiscipline in the fiscals.

2017 Fiscal Projections

The overall fiscal deficit is expected to be decreased in 2017 – from the 2016 levels of 8.7% to about 6.5% on a cash basis and from 10.3% to 4.6% on a commitment basis. This will be explained by an improvement in the proportion of GDP that government will get as revenue as well as what government will spend out of this expenditure.

- Total revenue and grants is expected to increase from about 20% in 2016 to about 22.1% in 2017.
- Meanwhile expenditure is expected to decrease from 30.3% in 2016 to 28.6%.

Conclusions on Fiscal Developments and Policies

In hard times like this, a Minister of Finance would try to strike a balance between different objectives, in particular creating more revenues and avoiding adverse effects on economic growth. We note that Minister Ken Ofori-Atta has chosen the path of "sowing the seeds for growth and jobs" in the hope that the future expansion of production would create the needed fiscal space to increase government revenues. This seems rational because the economy is currently producing (growing) below its potential. The status quo seems irrational because there is great need for goods and services, yet millions of people (including the youthful population, many with degrees and diplomas) are jobless. Society suffers many types of losses from economic downturns, including business losses, in which businesses cannot sell their goods and services at a profit (hundreds or probably thousands of small businesses have been forced out of business by the prolonged 'dumsor' and economic downturn), and the human suffering of the unemployed and their families. Often, increased unemployment and economic insecurity are associated with increases in alcoholism, divorce, crime, and even suicide.

At a very broad level the budget has done a few interesting things:

- First, there has been an attempt to incentivize production and growth through the many tax incentives. We hope that these tax cuts are not meant to bring patronage and popularity to the new government.
- Second, the budget has been bold and tackled the issue of fiscal space by relaxing, to some degree, the rigidities imposed by the many statutory funds.
- Thirdly, there has been a very bold attempt to reprioritize spending – i.e. funding of the many policies such as the Zongo Development Fund, Free SHS, One district one factory, etc.

Generally these are positive measures as they have been done with an eye on improving fiscal deficits. There are a number of challenges, of course:

- First is, whether the government can remain disciplined, fiscally.
- Second, it would be important for economic managers to balance the need for more priority spending with fiscal sustainability and other macroeconomic considerations.

- Third, whether the realignments in the fiscals will yield the anticipated efficiency. Economic managers need to focus on the quality of investment and efficiency in overall government spending. Spending quality is important because past experiences have shown that public investments may fail to boost growth, if spending efficiency is compromised. We should not forget that improving efficiency requires that you prioritize appropriately and also reduce corruption.
- Fourth, whether growth (with employment creation) will be engendered by these many incentives. There can be no denying the fact that these incentives have the potential to restore consumer and investor confidence about the economy. The challenge, however, is the extent to which the private sector will respond to the incentives signaled by the budget.

THE MONETARY SECTOR

2016 Performance

The year 2016 ended with a Monetary Policy rate of 25.5% and an inflation of 15.4% by end December 2016 with the decline driven mainly by non-food factors and the relative stability in the local currency. Credit to the private sector also recorded slower growth resulting from the tight monetary policy with M2+ recording an annual growth of 22.0% in 2016 compared to 26.1% recorded in the preceding year. Lending risk continued to surge with growth in total outstanding credit to the private sector declining from 24.9% in 2015 to 17.6% in 2016. Similarly, in 2016, credit to the private sector grew by 14.4 percent year-on-year, against 24.5 percent recorded in 2015. In real terms, private sector credit contracted by 0.8 percent in December 2016, compared to a growth of 5.8 percent recorded in December 2015. This development is quite worrying given that historically, financial intermediation has been low in Ghana compared to comparator economies (Figure 3). We dare say that this has something to do with the relatively high interest rate spread in the country and the general economic downturn witnessed over the last five years. It is not surprising then that non-performing loans have risen sharply since 2014 (Figure 4).

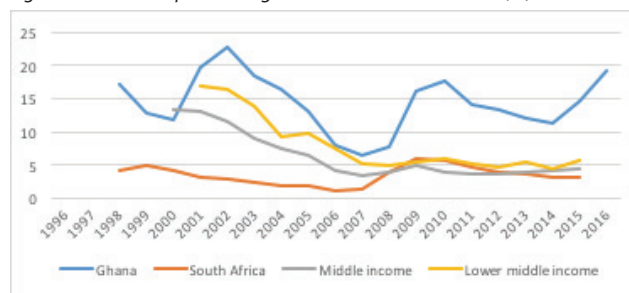
This is symptomatic of a struggling economy and a looming banking crisis. We need appropriate regulation of the financial system to achieve the twin goals of inclusive growth and financial stability.

Figure 3: Domestic Credit to Private Sector (% of GDP)



Source: World Development Indicators 2016

Figure 4: Bank Non-performing Loans to Total Gross Loans (%)



Source: World Development Indicators 2016

The Stock Market also suffered some negative movements with the GSE Composite Index declining by 15.3% while Total Market Capitalization also suffered a decline of 7.8%. Interest rates on the money markets recorded a decline in the short term instruments while longer term instruments recorded some marginal increases. Average 3-month time deposit rates remained same while savings rate declined marginally. Meanwhile, average lending rate increased from 27.5% in December 2015 to 31.2% in December 2016 reflecting the increased default risk and general cost of doing business.

The Exchange rate remained relatively stable due to the tight monetary policy stance and improved inflow of foreign exchange but this was short-lived in the run-up to the December 2016 elections due to demand pressures and some market speculations. A depreciation of 9.6% and 5.3% against the US Dollar and the Euro was recorded in 2016 compared to a cumulative depreciation of 15.7% and 6.2% in 2015.

2017 Monetary Projections

In 2017, prudent monetary and external sector policies have been proposed to complement the fiscal stance in order to ensure price and exchange rate stability. Average inflation target of 12.4% has been earmarked with a medium term (2018-2019) target of 8±2 %. It is expected that the fiscal stimulus package coupled with the fiscal consolidation process to reduce the deficit to 6.5% of GDP will have positive implications on the exchange rate. In addition, increased oil production from the new oil fields as well as improvements in non-traditional export receipts and expected improvements in remittance flows is likely to build up foreign exchange reserves and bring some stability to the exchange rate.

It is expected that these measures will result in a moderate Money Supply (M2+) growth of 19.6% and reducing further to 15.6% by 2019. End of Year Inflation is also expected to decline to 11.2% in 2017 and further to 8±2 % during the period 2018-2019 all things being equal.

1. Ghana has suffered its worst power crisis in history, which plunged millions of households and enterprises into darkness for almost four consecutive years. Because the supply of electricity is unreliable and insufficient, many industrial firms rely on their own or shared generators, which run on diesel. The market price of diesel is expensive and as a result independently generated electricity is costly compared to power supplied through the grid. Conservative estimates by researchers at ISSER suggest that shortages is currently losing production worth about US\$2.2 million per day just owing to the electricity crisis alone.

Conclusions on the Monetary Sector

The outcome of the 2017 Policy Initiatives on the monetary sector greatly hinges on the success of the fiscal stimulus, which is expected to increase private sector activities and lead to increases in GDP resulting from increases in tax revenue (Tax Buoyancy). Given the expected revenue increase of 33.6% and a GDP growth of 6.3% in 2017, this comes to a tax buoyancy rate of 5.32 which is on the high side according to IMF Estimates (2017).

The policy to ensure macro-stability and a reduced budget deficit to 6.5% of GDP can bring confidence to the money markets thereby reducing interest rates especially if Government reduces its borrowing from the domestic financial system.

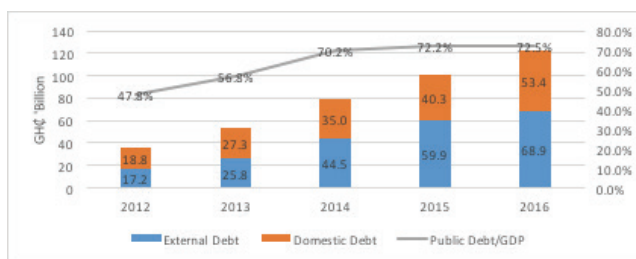
The Budget statement and economic policy is however silent on earlier initiatives and discussions to cap interest rates which aims at reducing interest rate spreads, one of the highest in the sub-region.

In conclusion, the 2017 Budget brings hope to the private sector including the monetary sector but its outcome will significantly depend on the degree to which key actors within the economy respond to the tax stimulus and other policy initiatives.

DEVELOPMENT IN PUBLIC DEBT

The country's debt stock has reached a level of about 73 percent of GDP at end- December 2016, which is in excess of the debt sustainability threshold of 70 percent (Figure 5). This has resulted in high debt service costs with interest payments alone taking up nearly 42 percent of tax revenue. Public debt is estimated to be above 122 billion Ghana cedis. Debt-service costs are among the fastest-growing item of expenditure and consume 32 pesewas and 42 pesewas of every cedi of government total revenue and tax revenue. The total debt represented 266 percent of exports, 363 percent of budget revenue and 475 percent of tax revenue.

Figure 5: Public Debt Developments, 2012-2016



Source: GoG (2017)

Conclusions on the Public Debt

Government's penchant to resort to external borrowing poses a macroeconomic risk. As the debt burden continues to escalate, continuing currency depreciation could lead to a rapid increase in the value of foreign-currency denominated debt and its

concomitant interest payments beyond sustainable levels. The simple policy conclusion is that if Ghana wishes to grow faster it must first raise the balance of payments constraint on demand and put an ice on its appetite for borrowing. If the balance of payments equilibrium growth rate can be raised by making exports more attractive and by reducing the income elasticity of demand for imports, demand can be expanded without producing balance of payments difficulties. Most importantly, government must start to curb the relentless rise of debt. One thing is certain, which is that the longer managers of the economy delay in reckoning with Ghana's debt problems, the more severe the eventual consequences will be.

AGRICULTURE SECTOR

Key constraints and what was done in the past Agriculture sector constraints could be grouped under three broad areas and one cross-cutting area: production; storage, processing and marketing; consumption; and finance. On production, the main issues relate to the productivity of factor inputs. These include low and declining soil fertility, an ageing farmer population, and low application of mechanization (including irrigation). On storage, processing and marketing side, we have low quality produce due to poor post-harvest handling and storage infrastructure, high transportation and transactions cost, and minimal value addition. Some of these create high inter-seasonal price bands which negatively impact the welfare of the population in general and that of farmers in particular. On the consumption or demand side we have the issue of taste and preference for imported goods. Finally, we have the cross-cutting issue of inadequate finance and investment.

Are there new proposals to addressing the constraints? The important question is whether the 2017 budget statement and economic policy of the GoG contains proposals that could address the constraints facing the sector.

Government's policy objective for the sector in 2017 (and the next four years) is to "modernize agriculture, improve production efficiency, achieve food security and profitability of farmers, all aimed at significantly increasing agricultural productivity" (GoG, 2017, p.68). While this is a sound policy objective, there is clearly nothing new about it. Agricultural modernization has been the key objective of all governments since independence in 1957. Most of the policy proposals aimed at achieving modernization are essentially repetitions of previous policies.

However, the “Planting for Food and Jobs” campaign (PFJC) is one that on the surface appears innovative. This campaign aims to focus on maize, rice, soybean, sorghum and vegetables. The PFJC in its current form in the budget lacks a clear implementation plan. Most of the pillars upon which the campaign hinges (e.g. provision of improved seeds, supply of fertilizers) already exist in government policy documents. Without a clear plan for implementation it would be difficult to evaluate the performance of the PFJC in meeting the targets set (i.e. increasing the production of maize, rice, soybean and sorghum by 30%, 49%, 25% and 28%, respectively). How could increases in the production of these crops be attributed to the PFJC? How would the number of jobs created (an estimated 750,000) by the campaign be measured without a detailed implementation plan? Relatedly, it sounds quite ironic that the policy aims at importing any shortfalls in seeds that might arise for the production of the stated crops under the PFJC. One would have thought that existing seed producers would be supported to increase their production, something that can be achieved in the short run.

Again, on paper, the “One Village One Dam” campaign (OVODC) which could benefit the agriculture sector sounds novel. In the 2017 policy statement the objective under the OVODC is the rehabilitation of small to medium scale irrigation schemes. What is important to note is that nearly every budget over the period of the 4th republic contains an agenda to rehabilitate dams and irrigation schemes. The problem has always been with execution.

Given the policy agenda of agriculture modernization it is surprising that the only target under the “Science and Technology in Food and Agricultural Development Programme” for 2017 is continuation of the Fertilizer Subsidy Programme (FSP). There are many other aspects of Science and Technology in agriculture that could be explored. An example is investment in the development of drought, insect and disease resistant crop varieties, among others. Currently, most of the funding for such technological innovations comes from agencies other than GoG.

In order to deal with constraints from the consumption side, the policy states that consumption will be directed towards locally produced produce and substitutes through government schools, hospitals, and security agencies. This is not the first time such proposals are being tabled. One will have to carefully monitor its implementation.

Given the role of cocoa in Ghana’s economic history, a special mention of the crop is warranted. We note government plans to review CODAPEC and the Hi-Tech programmes. These programmes have been fraught with alleged corruption and political patronage (Banful, 2011). Only time will tell how the proposed reviews would make a difference in the cocoa sector in terms of reducing the alleged patronage and boosting production. The key innovation in the 2017 budget for the cocoa sub-sector is the proposed introduction of

solar-powered pump irrigation for the 2017/18 cocoa season. Aside rain water harvesting; this is essentially possible where water is available in rivers and dams. Yet, the destruction being caused to water bodies by artisanal and small scale mining in cocoa growing areas could be a major challenge to the scaling up of such an innovation that could boost cocoa production.

How does the government plan to finance investments in the agriculture sector?

Areas related to agriculture are spread across a number of MDAs but we focus on MoFA here. We note that only 1% of total MDA expenditure allocation is earmarked for MoFA. While only 7% of total MDA expenditure allocation is expected from Development Partners’ Funds, 49% of MoFA’s total expenditure is expected from the same source. This underscores how dependent Ghana’s agriculture sector is on donor funding. In fact, most of GoG funding goes directly into compensation of employees. Importantly, only 17% of the total MoFA budget is allocated to capital expenditures, translating to around US\$30 million (or about 60 modern combined harvesters). Whether this amount is sufficient for breaching the agricultural finance gap or not is not clear because the exact gap in agricultural investment financing is not known.

Conclusions on the Agriculture Sector

The 2017 agriculture sector policy statement of the GoG sets out to “reverse the recent low growth trend by boosting agriculture and industrial productivity”. Yet, projected agriculture growth for 2017 is set at a rate that is slightly lower than the estimated rate in 2016 (3.5% compared with 3.6%). This simply means that the government expects some lag between policy implementation and the realization of benefits thereof. But it must be noted that with Ghana’s current agriculture architecture (dominated by smallholders producing under rain-fed conditions), agriculture sector growth projections are still at the mercy of the weather, not science and technology application, unfortunately.

Most of the policy proposals aimed at modernizing and transforming agriculture and the economy of Ghana have been in policy documents since independence from colonial rule. What is left to be done is effective implementation and monitoring. In order to breach the agricultural investment finance gap it has to be clear exactly what the magnitude of the gap is so that adequate resources could be directed towards the transformation agenda. As part of the Infrastructure for Poverty Eradication Programme (IPEP), US\$1 million has been earmarked per constituency, and part of this amount is targeted at agricultural inputs, including equipment. The Ghana Incentive-Based Risk-Sharing System of Agriculture Lending (GIRSAL) also aims at increasing lending to selected agriculture sub-sectors. Because similar attempts have been made in the past without much success, one has to adopt a ‘wait-and-see’ posture towards the policies and plans contained in the 2017 budget statement and economic policy of the Government of Ghana.

EDUCATION

Under the 2017 Budget, the government will continue with policy actions to improve access and quality of education especially in the basic education sector. In 2016, actual expenditure on basic education exceeded the target allocation of GH¢3,390.46 million by almost 50 percent. In 2017, an amount of GH¢7,382.79 million is allocated for the Education sector, with about 58 percent allocated to basic education.

In 2016, the government spent an amount of GH¢71.91 million for the provision of subsidies to Senior High Schools (SHS) and GH¢25.96 million for the implementation of the Progressively Free SHS. To fulfill the new government's mandate of free secondary education, the government intends the absorption of all approved fees currently charged to students in public Senior High Schools with first year students from September 2017/18 academic year.

In principle, this is a policy in the right direction but we have some questions on the scope and speed of execution. And, it is still not clear how much this will cost the government in subsequent years as new cohorts join the stream.

The questions we have include the following:

- Could have deferred the start of this policy to a later date?
- Could proper targeting of disadvantaged schools and households be done instead of its universality?
- Do we have the requisite facilities and human resources to contain the expected increases in enrollment?
- Will quality not be compromised?

CONCLUDING REMARKS

Ghana turned 60 years this week. Until very recently, Ghana was touted as a success story on the African continent, achieving high and sustained growth and impressive poverty reduction. The country's economic growth rate had consistently outperformed that of its African counterparts since the early 1990s, bringing the country into lower-middle-income status. However, growth has not been accompanied by a structural transformation that lifts workers from low-productivity jobs in the informal sector to higher-productivity activities in the formal sector. A large part of the growth of the last two decades has been propelled by booming prices of its main commodity exports (cocoa and gold, whose prices more than tripled between 2000 and 2010) and the start of commercial oil production in 2011. Notably, no serious effort has been made in recent times to use the recent commodity-based growth to start a more sustainable growth based on the development of the manufacturing sector, including but not exclusively the processing of primary commodities. It is ironic that for all these decades since independence from colonial rule, Ghana continues to export raw cocoa beans with limited upgrading within the value chain (e.g., making cocoa butter and powder instead of exporting cocoa beans). As such, the growth performance, thus far, remains highly vulnerable to external shocks and has not translated into meaningful job creation.

Undoubtedly, industrialization remains critically important to our march towards economic transformation prosperity. Since the industrial revolution, almost every country that has managed the transition from low to high income has undergone industrialization, especially in Asia, in their low-income stage of development. Indeed, no country, except a few exceptionally rich in oil (e.g., Qatar, Kuwait, Brunei) or very small financial havens (e.g., Monaco), has achieved high and sustainable standards of living without developing a significant manufacturing sector. Many Asian economies have attained high manufacturing output shares. Asian Tigers like China, Thailand and Malaysia all had targeted export-oriented light manufacturing in their march towards economic transformation.

Today, while manufacturing accounts for around 20-30 percent of GDP for most successful countries, manufacturing value added is at a dismal 5 percent of GDP in Ghana. As a share of GDP, the manufacturing sector has continued to decline steadily over the last 40 years when it contributed about 14 percent of GDP in the mid-1970s. Given the small size of the manufacturing sector in Ghana, it is not surprising that manufacturing exports are not an important source of export earnings. While more than three-quarters of Thailand's exports are manufactures, less than one-fifth of Ghana's exports are manufactured goods.

In conclusion, we should definitely encourage initiatives aimed at "sowing the seeds for Growth and Jobs". The Bible puts it cogently in the book of Psalms 126:5-6 like this: *"They that sow in tears shall reap in joy. He that goeth forth and weepeth, bearing precious seed, shall doubtless come again with rejoicing, bringing his sheaves with him."* The budget is bold but its success will depend on a number of conditions, including the quality of the seed and the ground, the skillfulness, diligence, and faithfulness of the sowers, and more importantly the benevolence of God in sending the rain when it is most needed.

Finally, we hope and pray that there are no greedy 'birds' in or around government circles that would eat up the seeds. It is also our prayer that there would be no 'locusts' on the other side waiting to attack and destroy the fields.

Now, may God who supplies seed to the sower and bread for food, also supply and increase our store of seed and enlarge the harvest of our righteousness.



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Published by: Institute of Statistical, Social and Economic Research (ISSER)

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With support from the Think Tank Initiative (TTI) of the IDRC