

2008 BUDGET HIGHLIGHTS

0. INTRODUCTION

This report outlines the main highlights of the 2008 Budget Statement and Economic Policies of the Government of Ghana. The rest of the report is structured as follows. **Section 1** presents the performance and achievements under the implementation of 2007 Budget while **Section 2** highlights the 2008 Budget Targets and Outlook. Policy Initiatives are presented in **Section 3**. The report ends with Implementation Challenges under the 2008 Budget in **Section 4**.

1. 2007 PERFORMANCE AND ACHIEVEMENTS

1.1 Resolving the Energy Crises

A number of short, medium and long-term interventions targeted at resolving the energy crises that besiege the country this year and the later part of 2006 were pursued in 2007. Significant among them is the successful negotiation of the \$622 million loan for the construction of the Bui dam and Bui City. The investment is the second largest single investment in the history of the country after Akosombo Dam.

To improve upon the generation, transmission and distribution of electricity, significant expenditures have been made since 2006 and by end-2008, government's total budgetary expenses would have exceeded US\$2 billion.

1.2 Redenomination of the Cedi

The Bank of Ghana on July 1, 2007 re-denominated the cedi by setting ten thousand cedis to one Ghana Cedi, equivalent to one hundred Ghana Pesewas (i.e. ₵10,000=Gh₵1=100Gp) to help remove the significant dead weight burden that the old cedi regime placed on the economy. This measure, taken in the context of strong economic fundamentals and macroeconomic stability, has already resulted in significant efficiency gains which are expected to enhance the way we do business.

1.3 Entry into Capital market

The successful entry of Ghana into the Euro bond market is another unparalleled achievement this year. Government raised US \$750m. Out of this, US\$207.5

million has been earmarked for specific energy and road projects in 2007. The oversubscription of the bond, together with the quality and internationality of the investors, is a clear indication of the confidence that the international community reposes in the Ghanaian economy.

1.4 Celebration of Ghana @ 50

The country celebrated its fiftieth anniversary and successfully hosted the AU Summit and the AGOA conference in June and August respectively. The AU Summit in particular witnessed the highest turnout of Presidents and Heads of Government in recent times.

1.5 Oil Discovery

With the country poised for accelerated growth, a massive infusion of capital is required to undertake the necessary infrastructure to facilitate such growth. The discovery of oil in commercial quantities could therefore not have come at a more opportune time. A technical team has been constituted to undertake the necessary analysis of the impact of the oil discovery on the economy in the long term.

1.6 New educational reforms

The new educational reforms, which seek to improve upon our educational system in response to the needs and expectations of both individuals and industry, was launched in 2007. A comprehensive package of reforms has been introduced with the main components including teacher upgrading and deployment, attainment of gender parity, the active promotion of science, technology and research; and mainstreaming of pre-schools into the basic education system.

1.7 Decentralisation

As a sign of government's commitment to decentralisation, the District Assemblies' Common Fund which has been pegged at 5 percent of tax revenue since 1993 was increased to 7.5 percent. Twenty-five (25) more districts have been created to facilitate better governance and accelerate the socio economic development of our districts.

1.8 Fair Wages and Salaries Commission

The Fair Wages and Salaries Commission has been constituted to administer a new comprehensive pay structure and ensure equity in the government payroll

through a Legislative Instrument (Act 737) which was passed by Parliament this year. Government had earlier removed distortions and corrected placements on the Ghana Universal Salary Structure (GUSS). The reform process is on-going with the obvious challenge of managing labour expectations particularly in an election year.

1.9 National Youth Employment

Seven (7) out of the ten (10) employment modules under the National Youth Employment Programme have been rolled out and are being implemented across the length and breadth of the country. A total of **107,114** youth have been engaged on the seven modules as at August 2007.

1.10 Poverty trends

In April 2007, the Ghana Statistical Service published a book on the pattern and trends of poverty in Ghana from 1991 – 2006, which utilized data from the fifth round of the Ghana Living Standards Survey (GLSS 5). From the data provided, it is evident that poverty has reduced significantly and Ghanaians are obviously better off today than they were seven years ago. The indicators show a downward trend in poverty from 39.5 percent in 1998/1999 to 28.5 percent in 2005/2006. We have halved extreme poverty relative to the 1991/92 levels ahead of the target date for the Poverty Goal under the MDGs.

This achievement did not just happen; it was made possible through the deliberate implementation of coherent and comprehensive policies and reflects the effect of increased government expenditure on poverty-reduction activities.

Poverty-related expenditures increased from GH¢233.9 million in 2002 to GH¢1,237.4 million in 2006, representing 21.67 percent and 34.86 percent respectively of total government expenditure.

1.11 Gross Domestic Product (GDP)

Available data up to September 2007 and projections to end 2007 indicate a provisional GDP growth of 6.3 per cent, 0.2 percentage points below the target of 6.5 per cent.

Agriculture sector growth is projected at 4.3 per cent against a target of 6.1 per cent, indicating a projected margin of 1.8 percentage points below the target. This shortfall can be attributed to the erratic rainfall pattern which swept the northern part of the country and a relative decline in the Fishing sub-sector as a result of dwindling fisheries resources.

The **Industry** sector is projected to grow by 7.4 per cent, a decline from the 2006 growth rates of 9.5 per cent. This is mainly due to the energy crisis.

The **Services** sector which is not so dependent on electricity is projected to grow at 8.2 per cent exceeding the 6.7 per cent target by 1.5 percentage points. Apart from the Transport, Storage and Communication sub-sector which grew below the 2006 level, the other sub-sectors exceeded the 2006 outturn. The wholesale and retail trade and financial sub-sectors exceeded their targets.

1.12 Inflation

Headline inflation, measured as year-on-year changes in the consumer price index, which began the year at 10.9 per cent, stood at 10.1 per cent at the end of October 2007, after peaking at 11.0 per cent in May 2007.

1.13 Interest Rates

In the money market, interest rates followed a generally downward trend during the period. Deposit Money Banks average deposit rates trended upwards while the average lending rate were generally unchanged, narrowing the interest rate spread. The 91 day Treasury bill and 182 day Treasury bill declined by 53 and 61 basis points to 9.8 per cent and 10.2 per cent respectively. The Bank of Ghana Prime Rate also remained at 12.5 per cent during the first three quarters of 2007.

1.14 Exchange rate Developments

Trends in exchange rate developments indicate that the Ghanaian foreign exchange market has remained stable in 2007, notwithstanding some marginal fluctuations. For the first nine months of 2007, the Ghanaian Cedi lost value to the US Dollar by 2.0 percent, and by 5.4 percent and 9.0 percent to the British Pound and the Euro respectively. In the same period in 2006, the Cedi had depreciated by 0.9 percent against the US Dollar, 9.7 percent against the Pound and 7.9 percent against the Euro.

1.15 Receipts

Provisional fiscal outturn for the period under review indicates that **total receipts** amounted to GH¢4,254.4 million, representing 30.4 per cent of GDP, compared to an outturn of GH ¢3236.8 million representing 28.2 per cent of GDP registered for the same period during 2006. This indicates a 31.4 per cent increase over the outturn for the corresponding period in 2006.

The HIPC and MDRI Initiatives: Total projected HIPC resources for 2007 was about US\$236.7million. By end September 2007, an amount of GH¢134.9 million (US\$125.1 million) from bilateral and multilateral creditors had been transferred into the HIPC account.

Following the commitment of the three multilateral creditors, namely the World Bank, IMF and the AfDF to the Multilateral Debt Relief Initiative(MDRI), an amount of about GH¢203.3 million (US\$225.4million) has also been credited to the MDRI account at the Bank of Ghana. IMF relief was front-loaded totaling GH¢164.3 million (US\$176.1 million).

1.16 Payments

The provisional fiscal outturn for **total payments** for the first nine months of the year, comprising **statutory and discretionary payments** was GH¢4,254.4 million of which GH¢1,232.0 million was allocated for Statutory Payments. This total payments compares to GH¢3,236.8 million recorded for the corresponding period in 2006.

1.17 Overall Budget Balance

For the three quarters of the fiscal year, (January to September 2007), the **overall Budget balance** showed a deficit of GH¢559.0 million equivalent to 4.0 per cent of GDP compared with a deficit of GH¢522.7 million also equivalent to 4.5 per cent of GDP recorded in the corresponding period of 2006. Without the increased expenditure on energy, some unanticipated, the budget deficit would have been even smaller at 1.6 per cent of GDP.

1.18 Public Debts

The gross public debt (domestic and external) by end September 2007 urged up slightly by about 9 per cent to US\$ 6,449.7 million from the end 2006 figure of US\$ 5,915.6 million. This is projected to increase to about US\$7,237.7 million by end December 2007 with a positive net resource flow including the US\$ 750 million borrowing from the international capital market. The stock of debt to GDP is expected to be 48.4 per cent by end December 2007, compared to 50.9 per cent in 2006.

1.19 External Debt

Ghana's total external debt, including debt owed to the IMF stood at US\$ 2,637.0 million by end September, 2007, representing 17.6 per cent of GDP. In

terms of creditor category, multilateral debt continues to dominate with about 60.4 per cent of total external debt in spite of the substantial debt relief from MDRI. Bilateral debt constitutes 32.8 per cent with the remaining 6.8 per cent from commercial creditors. The World Bank continues to be the largest creditor, contributing not less than one third of the total external debt.

1.20 Domestic Debt

The marketable debt stock arising from the primary issuance of securities stood at GH¢2347.23 million as at end September 2007. This represents an increase of 64.5 per cent over the end September 2006 stock.

As part of prudent debt management strategy government elongated the maturity profile of outstanding stock by issuing securities of longer maturity. There has been an extension of the yield curve with the issuance of the five-year bond.

1.21 Balance of Payments

The provisional estimate of the balance of payments for the nine months ended September 2007 indicated a deficit position of US \$411.0 million, compared with a deficit of US\$46.76 million, for the corresponding period of 2006. Projections to the end of the year, taking into account the proceeds from the Sovereign Bonds points to an overall balance of payments surplus of about US\$649.24 million.

The current account which consists of the trade and services account, recorded a deficit of US\$1,087.06 million for the first nine months of the year, compared with a smaller deficit of US\$387.58 million recorded for the corresponding period of 2006.

The Trade Balance which shows the difference between merchandised exports and imports for the period under review showed a deficit of US\$2,568.71 million, and is expected to widen further by the end of the year to US\$4,010.35 million as a result of the pressure on imports of goods. Total exports amounted to US\$3,155.69 million, and imports was US\$5724.40 million.

1.22 Gross International Reserves

The Stock of Gross Reserves at the end of the first three quarters of the year was estimated at US\$1,812.22 million. This is expected to rise to about US\$2,394.26 million by the end of the year.

1.23 Monetary Developments

Credit to the Private Sector: Total Deposit Money Banks' outstanding credit to the private sector grew by 59.9 per cent (GH¢1,348.5 million) on annual basis in September 2007 up from the 38.9 per cent (GH¢542.1 million) registered during the same period in 2006. In real terms, however, total private sector credit rose by 44.4 per cent, from the 17.9 per cent level achieved in 2006.

Credit to the Public Sector: the annual growth rate of DMB's outstanding credit to public institutions as at August 2007 went up significantly by 87.3 per cent (GH ¢356.1 million) compared with the 13.3 per cent (GH¢ 47.9 million) increase recorded for the same period of 2006.

2. 2008 TARGETS AND OUTLOOK

2.1 Macro framework and Budget Priorities

The macroeconomic framework for the year 2008 makes the following projections:

- a real GDP growth of at least 7 per cent ;
- an end period inflation rate of between 6 and 8 per cent;
- an average inflation of 7 per cent;
- accumulation of international reserves of the equivalence of at least three months of import cover;
- an overall budget deficit of 4.0 per cent of GDP

In line with GPRS II, government's priorities for the 2008 budget will focus on facilitating growth and reducing poverty through major infrastructural development.

2.2 Focus of 2008 Budget – Roads, Water and Energy

The focus of the 2008 Budget will be "*Growth through massive Infrastructure Development*". The areas identified are roads, water, and energy.

The Road We Must Travel for Brighter Future : In support of GPRS II, Government is taking into consideration the derived objectives of integrating

rural and urban economies as well as ensuring lower transport costs through the provision of safe and reliable road infrastructure and services.

Government will fund all *166 districts to construct and tar 15kms of roads* in the district over the course of the year. The criteria for selection of the roads will be developed by the end of this year so that implementation of the programme can start at the beginning of 2008.

A *projected amount of GH¢199,200,000* is allocated for this initiative. Banks and financial institutions will be encouraged to pre-finance and Government resources will be used to pay as revenue comes in.

In addition, *an amount of US\$200 million from the US\$750 million* sovereign bond will be used for the Road sector including the dualisation of the Accra-Kumasi highway. *Ninety million US dollars* from the sovereign bond has been allocated to build the western corridor of the railway network.

Water for Life, Growth and Brighter Future: The second of the three focus areas of 2008 Budget is to improve infrastructure for water. *Five communities* in each of the *166 districts* will be provided with good drinking water. District Assemblies will select priority towns or villages to benefit from this initiative. The estimated amount for the potable water project is *GH¢7,470,000*.

Energy for Growth and Brighter Future - Strengthening the Business Environment: Major medium and long term measures have been initiated and 2008 will see to the vigorous implementation of these measures which include:

- Operationalisation of the Osagyefo Power Barge at Effasu;
- Execution of the Bui Hydro Electric Power Project, and
- The Execution of Hemang and Awisam Hydro Electricity Power on the Pra River; Hydro Electric Power on Ankobra River; the Tanoso Hydro Electric Power on the Tano River; and The Juale Hydro River on Oti River.

An amount of *US\$460 million* out of the sovereign bond proceeds will be spent in the energy sector with focus on the transmission and distribution network.

Government will also provide electricity to *5 communities in each of the 166 Districts of the country*. The total budget for the electrification project is GH¢613,042,980.

A total amount of *GH¢819,712,980* is earmarked for the 3 priority projects in the 166 Districts in 2008. The private sector through Public Private Partnership (PPP) will be invited to collaborate with Government to achieve these goals.

2.3 Cocoa

In the 2008 financial year, cocoa is expected to contribute to increased export earnings and to perform above 600,000 metric tonnes for the 2007/2008 crop season. It is interesting to note that since 2003/2004 when cocoa posted a remarkable output of about 736,000.0 metric tonnes, output has not fallen below 600,000.0 metric tonnes, implying that such record outputs are sustainable.

2.4 Ghana (CAN) 2008

In January the country will host the African Cup of Nations and government is determined to deliver an excellent programme. In that regard, considerable efforts have been made towards the realisation of this agenda. Three out of the four stadia have already been completed; the remaining one is expected to be completed by the end of this month. The necessary infrastructure and logistics have also been provided to ensure a successful tournament.

With the hosting of the CAN 2008 together with the hosting of the UNCTAD Conference in mid-October, we anticipate a high degree of vibrancy in the tourism industry.

2.5 Health

A total of GH¢512.8 million will be allocated to the health sector in 2008. This includes both the GOG and the expected HIPC resources. The target areas in health will include major challenging areas like infant and child mortality.

There has been a shift in the policy orientation of the health sector. Stronger emphasis is being placed on preventive rather than curative health. Another area of focus will be regenerative health through adjustments and changes in the lifestyles of Ghanaians.

2.6 Educational Reforms

Activities in the educational sector towards the implementation of the new educational reforms will be scaled up. The model schools programme will be completed and teacher training facilities will be expanded.

2.7 Oil Management

We are preparing for the establishment of the appropriate regulatory and institutional framework to ensure that we maximise the expected outputs from the discovery of oil.

2.8 Presidential and Parliamentary Elections

The country will be organising its fifth presidential and parliamentary elections in 2008. In connection with that, government has made a budgetary allocation of GH¢36.8 million. Government is cognisant of the challenges of an election year, such as budgetary overruns. We are determined to exercise the necessary fiscal discipline and prudence as we did in 2004 to ensure that we do not derail our hard work and accomplishments of the past seven years.

2.9 Resource Mobilization

The **total resource envelope** connoted as total receipts for the 2008 fiscal year is projected at GH¢7,107.2 million, equivalent to 43.3 per cent of GDP. **Domestic revenue**, consisting of tax and non-tax revenue is projected at GH¢4,763.2 million.

Grants from donors are projected at GH¢853.4 million. This is made up of **Project** and **Programme grants** of GH¢514.8 million and GH¢201.0 million, respectively. **HIPC Assistance** from multilateral institutions and, **MDRI**, are expected to yield GH¢81.9 million and GH¢55.6 million respectively.

Project and **Programme Loans** are estimated at GH¢485.3 million and GH¢136.2 million, respectively.

Divestiture Receipts are projected at GH¢275.7 million representing 1.7 per cent of GDP.

Exceptional financing made up of HIPC relief from our bilateral partners is projected at GH¢77.5 million.

2.10 Payments

Total payments for 2008 is projected at GH¢7,107.2 million. Out of this amount,

GH¢728.9 million equivalent to 10.0 per cent of GDP is estimated for statutory payments and GH¢5,378.2 million is projected to be used for discretionary payments.

2.11 Overall Budget Balances

The 2008 budget envisages an overall budget deficit equivalent to 4.0 per cent of GDP. The domestic primary balance is expected to be a deficit equivalent to 1.7 per cent of GDP.

2.12 The Fiscal Anchor

The domestic-debt-to GDP ratio continues to be the fiscal anchor, and we will keep monitoring the target to ensure that this remains sustainable over the medium to long term. The net domestic-debt-to GDP ratio is projected to be 8.0 per cent in 2008 declining from a projected 12 per cent in 2007. It is estimated that the gross domestic debt to GDP ratio will go down from the projected 21.2 per cent in 2007 to about 16.0 per cent in 2008.

2.13 Balance of Payments

Projections of the Balance of Payments (BOP) for 2008 indicate a growth rate of 15.9 per cent in exports to a level of about US\$4,973.66 million, while imports are projected to grow marginally by about 4.0 per cent to US\$8,633.63 million resulting in a projected narrowing of the trade deficit to US\$3,659.97 million in 2008.

3. 2008 POLICY INITIATIVES

3.1 Improving Regulatory Structures for Doing Business

An initiative will be launched in 2008 to strengthen the regulatory environment of doing business to promote private sector led growth. Specifically the initiative will focus on simplifying the current regulatory regime applicable in Ghana, reviewing the functions of regulatory agencies to remove overlaps, scale down on the number of regulatory authorities and establish benchmarks for good practices.

3.2 Importation of Incandescent Lamps

To promote efficient use of energy, Government will introduce a legislation seeking to phase out the importation and use of incandescent lamps in Ghana. Compact Fluorescent Lamps (CFLs) will be the only lamps to be imported into the country to replace the high power consuming incandescent lamps in the system. Furthermore, energy efficiency standards and labels will be developed and introduced to reduce the rate of energy waste through refrigeration.

3.3 Promoting Alternative Energy Sources

The Energy Commission will in 2008 undertake the following activities aimed at ensuring that renewable energy is integrated into the national energy mix. The Commission will:

- Develop and facilitate the passage of a Renewable Energy Law; and
- Develop and enforce standards and codes for renewable energy technologies. This will include standards for bio-fuels, solar lighting and solar water heaters.

To encourage the production of biodiesel, the government will introduce special incentives, including the removal of excise duties, VAT and all local charges on biodiesel for a minimum of 20 years. This will encourage the participation of private entrepreneurs in the energy sector.

3.4 National Transportation Policy

In 2008, Government will adopt an integrated Transport Policy which combines various modes (road, rail, maritime including inland water transport and aviation) of transportation together to achieve maximum benefit for the transportation system.

3.5 Bond Market Development

As part of the objective to develop the long term investor segment of the domestic capital market in order to lengthen the yield curve of Government debt, Government will issue for the first a 10-year domestic bond in 2008.

In addition, Government will rationalise the issuance calendar to achieve issue predictability and to encourage secondary trading between issues.

3.6 National Switch and Biometric Smartcard Project

The Bank of Ghana is establishing a National Switch, the E-ZWICH, to allow the establishment of a common platform for all payments transactions, both on-line and off-line, in the country.

Associated with the E-ZWICH is a biometric smartcard that eliminates the need to have basic literacy and numeracy to operate a bank account since it relies on the identification features of finger prints. The E-ZWICH is a major vehicle for financial inclusion. The smartcard can also be used for payment of wages to workers on the government payroll. The use of the biometric identification system will remove ghost workers on the public payroll.

The National Switch and smartcard project would serve as the vehicle to transform Ghana from a predominantly cash economy to one dominated by electronic transactions using modern state of the art technology.

3.7 Promoting Financial Literacy

Government will in 2008 establish a financial literacy program, anchored by an Annual Financial Literacy Week. The aim is to raise awareness of the range of products and services available to consumers and the rights and obligations of consumers and service providers to help Ghanaians better understand and manage their finances. The proposed Financial Literacy Week will be a cooperative effort of the Ministry of Finance and Economic Planning, regulatory agencies, industry associations and consumer groups.

3.8 Enhancing Access to Agricultural Finance

A number measures will be introduced in the course of the 2008 to address the problem of decreasing flow of credit to the agricultural sector in recent times. These measures will include:

- Tax incentives to financial institutions to increase not only the flow of credit to the sector but also to reduce interest rates on agricultural loans to the 5%-10% range and to lengthen the maturities of term loans to between 5 and years; and

- The development of an agricultural investment Fund/Farm Credit Corporation with 100% agriculture focus to provide a range of financial services such as working capital and term loans, insurance, and leasing.

3.9 Fiscal Responsibility Act

Government intends to introduce a Fiscal Responsibility Act which aims at ensuring better discipline and efficiency at all levels of Government to achieve the following objectives, among others:

1. to set out fiscal targets and fiscal principles for the State;
2. to make it a goal for the Government to pursue its policy objectives in accordance with those fiscal targets and fiscal principles;
3. to provide for reports on departures from those fiscal targets and fiscal principles to be prepared by the Minister of Finance and Economic Planning; and
4. to provide for corrective measures when fiscal targets are missed.

3.10 Special Initiative on Sustainable Development of Northern Ghana

The development gap between Northern Ghana and Southern Ghana has been a long historical process dating from the colonial era. The recent floods that affected most of the North have exacerbated the gap.

Government of Ghana is preparing a medium to long-term development strategy that will transform the economy and society of Northern Ghana, in a manner that will ensure effective utilization of the region's competitive advantages in food production, adding value to agro-processing, boosting private sector confidence and improving incomes and general living conditions.

In the interim, Government has earmarked an amount of GH¢25.0 million as seed money for the establishment of a Northern Ghana Development Fund, and will encourage Development Partners to contribute to the Fund.

3.11 Easing the Burden of Importing Vehicles

In line with Government policy of easing the burden of transportation for Ghanaians, government has since July 2007 established a Committee to review the valuation, depreciation of values and the age penalties of vehicles.

Government will shortly announce new policies for imported vehicle valuation and age penalties that will reflect a significant simplification of the existing regime and ease the financial burden of vehicle acquisition.

3.12 Managing Our Oil Resources

Government will set up a taskforce to prepare a master plan for the emerging oil industry. The taskforce will examine the social and economic implications of Ghana becoming an oil-producing country. The taskforce will in 2008 present proposals that will among others, ensure that oil revenues will be used for economic diversification for the benefit of all Ghanaians, and to minimize the potential social and economic dislocations associated with oil wealth. Additionally, the task force will identify the requisite legal and regulatory framework, as well as the infrastructure and human resource needs of the new sector.

3.13 Establishment of a Stabilisation Fund

The Government will in 2008 design a Stabilization Fund to serve as a measure to insulate the economy from external shocks, specifically the unpredictability of export earnings from our major exports i.e. cocoa, gold, timber, and oil in the near future. The fund will be invested to ensure protection as well as the growth of the Fund.

3.14 Excise Tax on Mobile Phone Airtime

Government has decided to abolish import duty and import VAT on all mobile phones imported into the country and introduced a more effective means of taxing mobile phone usage. Consequently, Government proposes to impose a specific excise duty per minute of airtime use.

3.15 Tax on Stated Capital for Companies

Government will initiate a comprehensive review of the stamp duty of 0.5 per cent on stated capital with a view to eliminating its negative impact on the capitalization of capital.

4. MAJOR CHALLENGES FOR THE 2008 BUDGET

4.1 Maintaining the Macroeconomic Stability

Even though the government has made major strides in maintaining macroeconomic stability, continued efforts are still needed to sustain the stability posed by the following challenges:

- Maintaining debt sustainability as part of debt management strategy;
- Public sector reform and high wage demands; and
- Unpredictability of fuel prices and supply constraints in power.

4.2 Meeting the Millennium Development Goals – Improving under-five Child Mortality Rate

Though Ghana is performing creditably well in most of the MDGs, the target of reducing under-five Child Mortality rate continues to pose a major challenge.

Reduction in poverty levels has been found to have a direct positive impact on reducing under-five mortality rate. Despite Ghana's success in reducing poverty coupled with a number of interventions (viz NHIS, intensification of immunisation against the five-killer diseases, introduction of insecticide treated nets, etc) believed to impact positively on Child Mortality, progress on this goal has been slow over the past 3 years.

The Ministry of Health has been focusing on these areas to identify the causes of this stagnation to guarantee that appropriate interventions are implemented to ensure that Ghana by 2015 achieves the goal of reducing by two-thirds the under-five mortality rate and maternal mortality.

4.3 Election Year and Fiscal Management

In 2008 the country will be holding its fourth Presidential and Parliamentary elections under the Fourth Republican Constitution.

Election year comes with its own challenges. There are always enormous political pressures on government to undertake developmental projects. However, in the 2004, government was able to break the past record of fiscal slippage in an election year and is resolved to continue to exercise the same discipline and prudence in fiscal management to ensure that the nation does not derail her accomplishments for electoral benefits.

4.4 Towards Fair Wages

The Fair Wages and Salaries reform process is on going and the major challenge is managing labour expectations especially in an election year.

The Fair Wages and Salaries Commission will begin the necessary consultations with key stakeholders and also educate public sector workers, employers association, and organised labour on its recommendations, in order to facilitate the task and implementation of the new conditions of service including pay policy. In the interim, government will ensure that the real income of workers is protected.