



**BUDGET SUPPORT AS AN
INSTRUMENT TO IMPROVE THE
BUSINESS ENVIRONMENT, FIRST
EXPERIENCES AND FUTURE
PRIORITIES**

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	EXCHANGE RATE (CEDIS/\$1)	% CHANGE
Semptember 1999	3000	
6 months		
March 2000	7000	133

Credit of \$600,000 in September 1999 was equivalent to 1.8 billion cedis, but 4.2 billion cedis by March 2000.



Restructuring the Economy

Phase 1: Change in Political Management

- Elections in December 2000 (won by the New Patriotic Party, supported by three other parties)
 - **SLOGAN: POSITIVE CHANGE**
- Freedom of the Press
- The Rule of Law
- Liberalization of the Economy

Phase 2: Change in Economic Management

- Strengthening of Aid and Debt Management Unit
- 35% grant element in all foreign financed projects
- Opting for the HIPC Initiative
- Introduction of the GPRS
- Introduction of the GBS



Results of positive change

(General)

- Inflation has reduced by about 60% between 2000 and 2005
- Interest rates have reduced from 50% to 27%
- Exchange rate has stabilised around 9000 cedis to the dollar for the past 4 years
- Private investment has increased
- Ghana B+ rated, just as Brazil, Turkey and Indonesia
- In 2005 Ghana's international reserves could cover 3 months of imports, as compared to 0.9 months in December 2000
- Global Competitiveness: Ghana has moved from 71st in 2003, to 68th in 2004, and 59th in 2005



Results of Positive Change

(Business Environment)

- **LONG-TERM PLANNING IS POSSIBLE**
- **CREATION OF JOB OPPORTUNITIES THROUGH GBS**
 - **CREATION OF JOBS THROUGH SPECIAL INITIATIVES AND PPP**



The Role of GPRS and GBS

- IMPROVED COOPERATION AND PARTNERSHIP
- HIGH LEVEL OF COMMUNICATION BETWEEN GOVERNMENT, DONORS AND NGOS
- MACROECONOMIC DISCIPLINE
- PROVISION OF INVESTMENT CAPITAL
- INTRODUCTION OF THE NATIONAL HEALTH INSURANCE SCHEME
- INCREASE IN SCHOOL ENROLMENT
- INCREASE IN THE PROVISION OF GENERAL INFRASTRUCTURE



Private Sector Competitiveness

MDBS TRIGGER:

**REDUCTION IN TIME FOR REGISTERING
BUSINESSES**

SUGGESTION:

- **COMPARISON OF SALARY LEVELS**
- **CREDITS TO A PARTICULAR SECTOR**



GBS AND THE FUTURE

- STILL AIM AT DIALOGUE WITH GOVERNMENT
- CAN BE USED TO FACILITATE FOREIGN DIRECT INVESTMENT
- SHIFT FROM POVERTY ALLEVIATION TO EMPLOYMENT GENERATION



PERCEPTION OF THE PUBLIC

- CONFIDENCE IN THE GOVERNMENT HAS INCREASED (RETURNED TO POWER IN 2004; NPP stood alone)
- REMITTANCES HAVE INCREASED MORE THAN FIVEFOLD
- EXCHANGE RATE AROUND 7000 CEDIS TO 1SFR FOR THE PAST 4 YEARS
- SOME MULTINATIONALS HAVE MOVED REGIONAL HEADQUARTERS TO GHANA (including Nestle)
- OWN INVOLVEMENT IN A PPP PROJECT