

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

BOP/228/Add.1

22 December 1982

Limited Distribution

Committee on Balance-of-Payments Restrictions

1982 CONSULTATIONS WITH GHANA UNDER ARTICLE XVIII:12(b)

Statement submitted by Ghana under the Simplified Procedures for Consultations

Addendum

1. The present document is circulated to provide information relating to paragraphs 4, 6, 8 and 9 of the Secretariat Background Paper (BOP/W/63) which was not available at the time of submission of Ghana's statement in BOP/228.
2. Also, although the statement contained in BOP/228 reflects accurately the nature of Ghana's balance-of-payments restrictions, the following gives further information on more recent developments which have a bearing on Ghana's balance-of-payments situation.
3. With regard to paragraphs 4 and 6 of the Secretariat Background Paper (BOP/W/63) the lists of prohibited and permitted items during the 1981/82 import year remain as in 1980¹.
4. Total credits opened for imports under the 1982 import programme have increased from C 0437 million in February to C 245.328 million in October 1982.
5. With regard to paragraph 8 of BOP/W/63 it should be stated that the import licence tax of 20 per cent of the face value of the goods specified in the licence is payable only at the stage when letters of credit have been established in respect of the licence. This is intended to mop up the excess liquidity in the system. The special import licence levy of 10 per cent mentioned in the same paragraph does not cover goods imported by Diplomatic Missions and their staff and charitable organizations.
6. As regards paragraph 9, the Bank of Ghana does not impose any ceilings on importation of any products covered by valid import licences. Therefore no ceilings exist on the establishment of letters of credit for products covered by letters of credit. It however, does happen sometimes that in a particular year, for reasons stated below, actual foreign exchange receipts fall short of foreign exchange projections for imports on which the Import Programme is based. In such a situation some of the import licences issued cannot be covered by letters of credit. This, however, does not mean that the Bank of Ghana imposes ceilings on letters of credit.

¹ A copy of the Imports and Exports (Permitted and Prohibited Goods) Regulations 1908 is available for reference in the secretariat.

7. On arrears of imports the position as at the end of October 1982 was as follows:

- (a) Arrears on current import payments as at 31 December 1981 was C713.78 million. This did not include pre-1982 arrears on commercial credits which as at 31 December 1981 stood at C53.72 million. Therefore the total arrears on import payments as at 31 December 1981 was C767.5 million.
- (b) As at 31 May 1982 arrears on current payments (excluding pre-1982 commercial credits which still stood at C53.72 million) had increased from C713.78 to C1,115.54 million. This, however, decreased in the course of the year and stood at C853.50 million as at 31 October 1982.

Recent Policy Measures to Improve the Balance-of-Payments Situation and Ease Import Restrictions

8. As part of the efforts to improve Ghana's foreign exchange situation certain measures have been reinforced since May 1982 among which are the following:

(a) Foreign Travel Tax

9. Foreign travel tax which is payable by Ghanaian residents on the cedi value of travel tickets for travel by aircraft or ship to foreign destinations still remain in force. The rate of tax is 80 per cent of the normal cost of tickets. A reduced rate of 50 per cent applies to students on approved overseas courses, and to sick persons who obtain Medical Board and Government approval to seek medical treatment overseas. This measure, like the import licence tax, is also intended to reduce the excessive liquidity in the system.

(b) Interest Rates Policy

10. In July 1981 the interest rates on commercial bank time and savings deposits were raised to 18-19 per cent and commercial bank lending rates which in September 1978 were raised from 9-12.5 per cent to 13-18.5 per cent were raised to 22-25.5 per cent. This was intended as an incentive to encourage savings. However, the efficacy of this policy in the institutional situation of the country became questionable since the objectives were not attained. It also imposed a high cost of borrowing on productive activity generally and militated against the efficient functioning of marginal industries which dominate the economy. Therefore since May 1982, the Government has adopted a more realistic policy on interest rates. The nominal rate for savings deposits has been reduced from 18 to 12 per cent.

11. In order to stimulate general economic activity in the country the maximum lending rate has been reduced from 25.5 to 14 per cent per year.

(c) Agriculture

12. To give more concrete expression to the Government's objective to boost agricultural production, the Government has, during the current financial year, decided to increase the level of credit to the agricultural sector and especially to the small-scale farmers who produce the bulk of the country's food requirements.

13. All banks, except the Bank of Ghana are required to lend at least 20 per cent of their total loan portfolio to the agricultural sector. Of this amount no less than 12.5 per cent is to be given to the small-scale farmers. The success of this policy will reduce considerably the strain on Ghana's foreign exchange reserves partly caused by the huge food import bills.

(d) Cocoa

14. Among other incentives to boost the production of cocoa, the mainstay of Ghana's economy, the producer price has been increased about 300 per cent from C120 to C360 per load of 60lbs.

(e) Energy Conservation Measures

15. One problem which more than any other has contributed to Ghana's worsening foreign exchange position is energy. Prior to the oil crisis Ghana was spending between C44 million and C50 million a year on the import of crude oil.

16. In 1981 as much as C963 million was spent on oil imports. This represents as much as 24.4 per cent of Ghana's GNP of C13,464.36 million (US\$4,914 million), and has seriously compromised the country's ability to import essential raw materials and spare parts as well as other imports required for domestic production and consumption in a period when export performance has been on the decline. For a country which derives 95 per cent of its energy requirements for lighting and industry from hydro-electric sources and which has other sources of energy such as wood, charcoal etc. for other uses, the bill for petroleum which is used mainly by the transportation sector is considered excessive.

17. Recently, for reasons mentioned above, the following energy conservation measures, in addition to the removal of subsidies on gasoline in November 1980 and the tightening of the rationing system, have been introduced:

- (a) With effect from 1 July 1982 no vehicle can be registered as a commercial vehicle unless it has a diesel-operated engine.
- (b) There is in force a temporary ban on importation of motor cars into Ghana, with effect from 26 March 1982. Exempted from the temporary ban on motor cars are foreign diplomatic personnel, members of staff of Ghana Missions abroad returning home after completing their tour and other Ghanaians returning home after staying abroad for a period of not less than twelve months.

18. These measures, it is anticipated, will make enough foreign exchange available and thereby lead to the easing of import restrictions on essential imports.

(f) Import Year

19. Another measure which is intended to remove a major bottle-neck in the import licence system is the Government's decision contained in the last budget introduced in May 1982 to change the fiscal year from 1 July - 30 June to 1 January - 31 December to conform to the import year. Under the present system import licences are issued in January while the fiscal year (i.e. the State budget) commences on 1 July.

20. At the time of drawing up the import programme therefore, which is based on expected foreign exchange receipts during the fiscal year (i.e. between 1 July and 30 June) the actual foreign exchange that will be received by the Central Bank is not known with any degree of accuracy.

21. The Central Bank therefore makes its provisional foreign exchange allocation for the import programme without any reliable knowledge of actual receipts that it is likely to obtain. When actual receipts fall short of the projections, as is sometimes the case, some of the import licences which have already been issued cannot be utilized due to foreign exchange constraint. In such a situation the Import Licence Allocation Commission, through the Ministry of Trade, might authorize the Central Bank to open letters of credit for only essential imports such as raw materials, food items, spare-parts and drugs. This might appear as an imposition of ceilings on letters of credits and imports by the Central Bank; but that is indeed not the case. It is this problem that the new change is intended to solve and ensure that any licence issued can be utilized.