

**SEMINAR ON DIVESTITURE OF STATE-OWNED
ENTERPRISES (SOE'S) AT THE VOLTA HOTEL
AKOSOMBO - DECEMBER 19 - 21, 1997**

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HON. MINISTERS OF STATE

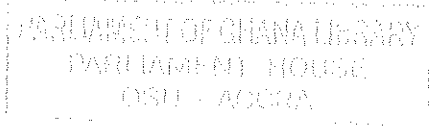
HON. MEMBERS OF PARLIAMENT

EXCELLENCIES

DISTINGUISHED GUESTS

LADIES AND GENTLEMEN:

It gives me great pleasure to be here today and to be part of this important Seminar. I also deem it both an honour and a privilege to be invited by the Divestiture Implementation Committee (DIC) to give the Keynote address on a crucially important topic, namely, the Divestiture of State-Owned Enterprises. This topic happens to be one of the major concerns of both developed and developing countries which are striving to achieve an efficient and effective management of their resources, particularly in the enterprise sector of the economy.



2. As the nation begins the second milestone in our democratic experiment, the responsibility on you as Members of Parliament is to help consolidate the democratic and economic gains chalked so far by the First Parliament of the Fourth Republic. The whole nation, and indeed as a result of our successful elections, the whole world would be monitoring your performance. Our success as a nation will depend in a large measure on the way you conduct yourself and perform your assigned duties as Members of Parliament and agents of progress. The people have accepted the multi-party regime of parliamentary democracy and justifiably look forward to that system to deliver the goods. The Elections have delivered the institutional frame-work and these institutions must deliver the fruits of democratic governance - prominent among which is socio-economic development.

3. The seminar will afford you the opportunity to deliberate particularly on the enterprise sector of the economy to enable you to objectively assess Governments performance in this sector since the beginning of the Economic Recovery Programme in Ghana. Experts from various Sectors of the economy will address you on the details of the gains achieved and the problems encountered during the implementation of the Economic Reform Programme and to provide indications as

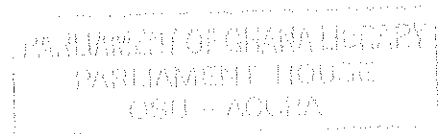
to the future direction of the economy. As Members of Parliament your constituents would wish to understand clearly the thrust of government's policies on privatisation or divestiture of former state enterprise and on balance, the merits that have resulted from the implementation of such a policy. As Members of the Public Accounts and Finance Committees - the two Watchdog Committees of Parliament - it is your bounden duty to get all constituents at the "grassroots" level involved in the discussion of all aspects of the privatisation programme to foster their active involvement and thus their total commitment to the successful implementation of the programmes. This course of action will enable you to monitor and evaluate the implementation and success of the programmes.

4. What then are the reasons given by the Government for the introduction of its economic policy of privatisation or divestiture and the benefits the country hopes to derive from its implementation? To begin with, let us understand, in very simple language what the term "divestiture" means. It simply means business owned and operated by private individuals, as opposed to government owned operations. In other words, it is an economic system based upon private ownership and operation of business also called "**Free Enterprise**".

Honourable M.P's

5. At this juncture, let us dwell briefly on the state of Enterprise management in Ghana prior to the introduction of the divestiture programme. This background will provide a fitting justification for the introduction of government's divestiture policy. The period before the advent of privatisation was marked by pervasive controls by Government over all private sector economic activity. Public sector enterprises were established to manufacture many commodities including steel, machine tools, fertilisers, heavy chemicals, and even textiles and clothing. Government Marketing Boards assumed monopoly power over the purchase and sale of many agricultural commodities, and government agencies became the sole importers of a variety of goods. These agencies often became exporters as well. Price controls were established for many commodities; import licences procedures were eliminated for the importing of commodities not given priority in official plans; investment licences were required before factories could be expanded; capacity licences regulated maximum permissible outputs and comprehensive regulations governed the conditions of employment of workers. The consequence frequently was that indigenous entrepreneurs found it more financially rewarding to devote their energies and ingenuity to the task of procuring the necessary government import licences and

other permits and exploiting the loopholes in government regulations than to the problem of raising the efficiency and productivity of resources. For public sector enterprises, political pressures often resulted in the employment of many more persons than could be productively used and in other practices conducive to extremely high cost and inefficient operations. The consequent fiscal burdens diverted resources that would otherwise have been used for investment while the inefficient use of resources dampened growth rates. It was therefore to correct this unsatisfactory state of affairs in the Enterprise sector of the economy that the Divestiture Programme was introduced.



6. Since the early 1990's Government has considered private investment (both foreign and domestic) as the leading edge of growth. In fact, Article 36 of the Constitution of the Fourth Republic of 1992 requires government to **“take all necessary steps to establish a sound and healthy economy”** by **“affording ample opportunity for individual initiative and creativity in economic activities and fostering an enabling environment for a pronounced rate of the private sector in the economy”**. It thus envisages that the private sector will act as the main **“engine of growth”** for economic development. The Government has accordingly

taken steps to provide a stable macro-economic framework and an enabling environment for private investors to operate. Private investors have already benefited from the macro-economic and sectorial reforms introduced under the Economic Recovery Programme (ERP) notably, the Cocoa, rehabilitation of roads, ports, telephones etc; the liberalisation of imports, the liberalised exchange rate through the Foreign Exchange Bureaux as well as the profits and other benefits abroad as provided under the Investment Code, In addition existing trade and tax reforms which have, for example reduced company taxes in the manufacturing sector have all helped to make the business climate more conducive to investment.

7. Privatisation has thus been a focal point of discussion and a major policy objective in Ghana since the late 1990's. In the case of Ghana a number of public enterprises including the Ashanti Goldfields Company Ltd. (AGC) have been privatised. The US\$ 454 million sale of the AGC Limited placed it firmly on the world privatisation map. Since then the Divestiture Implementation Committee (DIC), the government agency responsible for divestiture has successfully handed over a lot more state-owned Enterprises to the private Sector where it is believed they could be made to perform more efficiently.

8. To our Members of Parliament who are the agents of progressive change in the economy and society at large, I need to emphasise the point that privatisation is a highly complex political process. It will never be in everyone's interest and cannot be advanced through technical analysis alone. What this entails is that successful implementation, like various economic policies and measures is impossible without strong political will informed by sound technical advice.

9. It is in this vein that you as Law makers and representatives of the people have a crucial role to play. Your understanding of the Divestiture Programme and its advantages for the ordinary citizen will enable you to make informed pronouncements on its implementation and help you to educate your constituents on economic benefits they can derive from it. Permit me also to remind you that you serve as the immediate link between the people you represent and the government. This places you in a better position to explain objectively government policies and the benefits accruing therefrom through the medium of simple statistical and financial illustrations.

10. I am also informed that legal and labour issues will feature prominently in this seminar. A clear understanding of these issues will provide an appropriate framework for the promotion of investments in the productive sectors of the economy. Issues on proceeds and liabilities would also be raised for discussion with you. It is my fervent hope that you will apply yourselves diligently to these delicate issues so that on your return to Parliament from this Workshop processes would be put in place to enhance programme implementation. You may also permit me to add that there is no blue print for privatisation. But you need to draw on ideas and experience from a wide range of sources in both developed and developing countries and carefully match strategies and techniques with objectives.

11. I would like to see this Seminar as part of an overall arrangement to raise the level of knowledge and awareness about the dynamics of privatisation and more specifically, Ghana's divestiture programme with a view of drawing you into the exercise to ensure complete success. It is also a way of building a broad consensus and support as to the role of divestiture in private sector development in Ghana.

In particular all aspects of the success story of the AGC Ltd. After privatisation could be used as a good example of the benefits that have accrued from the policy of privatisation.

13. This occasion also affords me the opportunity to congratulate the Divestiture Implementation Committees for organising this important Seminar. It will go a long way to enrich the knowledge of the Parliamentarians and make them more confident to talk about divestiture in this country.

14. On this note, I have the pleasure and privilege to declare this Seminar on the Divestiture Programme for Members of Parliament open.

THANK YOU.