

Theme: "Sustaining Confidence in the Future of the Ghanaian Economy"

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**REPUBLIC OF GHANA**

**BUDGET SPEECH**

**BUDGET STATEMENT AND ECONOMIC POLICY**

*of the*

**GOVERNMENT OF GHANA**

*for the*

**2013 FINANCIAL YEAR  
Parliament**

**On**

**Tuesday, 5<sup>th</sup> March, 2013**

**PRESENTED TO**

**SETH E. TERKPER**

**Minister for Finance**

**On the Authority**

**Of the**

**H.E PRESIDENT JOHN D. MAHAMA**

## INTRODUCTION

1. Mr. Speaker, I beg to move that this august House approves the Financial Policy of the Government for the year ending 31st December, 2013.
2. Mr. Speaker, my presence in the House today is to present to you, for the first time in my capacity as Minister for Finance, and on the authority of His Excellency, John Dramani Mahama, the recently elected President of the Republic of Ghana, the full-year Budget Statement and Economic Policy for 2013. This is in accordance with Article 179 of the 1992 Constitution.
3. Mr. Speaker, this presentation is an abridged version of the 2013 Budget Statement. I would like to request the Hansard Department to capture the entire Budget Statement and Economic Policy.
4. In October 2012, my predecessor, Honourable Dr. Kwabena Duffuor, appeared before this august House to lay the Expenditure in Advance of Appropriation for the first quarter of 2013. This was in accordance with Article 180 of the 1992 Constitution. Those Estimates were also the first allocation of resources to Ministries, Departments and Agencies (MDAs) to be presented on behalf of His Excellency President John Dramani Mahama. This was shortly after he was sworn-in to complete the term of our beloved late President, His Excellency Professor John Evans Atta Mills. The approval of those Estimates by this House has made it possible for government business to continue uninterrupted.
5. Mr. Speaker, from January 2009 to December 2012, the NDC government implemented cogent policies and programmes and pursued activities that were based on the strategic goals of the Ghana Shared Growth and Development Agenda (GSGDA) policy document which was approved by this august House.
6. As stated by His Excellency John Mahama in the State of the Nation address, the vision and commitment of government over the medium term is to build a prosperous and equitable society in pursuance of the common and cherished goal of "Advancing the Better Ghana Agenda" for all. This vision is anchored on the commitment to Putting People

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First; A Strong and Resilient Economy; Expanding Infrastructure; and Transparent and Accountable Governance.

7. Mr. Speaker, we have achieved macroeconomic stability and growth on the basis of strong real and external sector performance, including low rates of inflation and the build-up of substantial foreign exchange reserves. We have achieved these goals against the backdrop of the global financial crisis; we have also acted decisively to implement policies that address the challenges that occasionally confront our forward march.
8. Mr. Speaker, as we are all aware, the global economy remained fragile in 2012 following four years of weak and uneven recovery notably the persistent Euro-zone debt crises and the uncertainty surrounding the fiscal issues in the United States. Therefore, Ghana's 2012 provisional growth rate of 7.1 percent is still high given that it is on top of the growth rate of 14.4 percent recorded in 2011 when the GDP first reflected the impact of crude oil production in commercial quantities. Moreover, the 2012 provisional growth rate compares favourably with the global growth of 3.2 percent and sub-Saharan Africa growth of 4.8 percent. [According to the IMF's World Economic Outlook (Jan 23, 2013)].
9. Mr. Speaker, in contrast with the gloomy global picture, Ghana recorded relative economic stability and appreciable growth rates. Gross Domestic Product (GDP) which was about GH¢30 billion in 2008 expanded to GH¢71.8 billion at the end of 2012. This testifies that output from all sectors of the Ghanaian economy (not just oil and gas) has grown in leaps and bounds. It is anticipated that the economy will achieve a growth rate of between 8.5 and 9.0 percent at the end of 2012, when the final GDP estimates are updated by end April 2013;
10. Mr. Speaker, the journey to attain macro-economic stability over the past four years has not always been smooth because we are still vulnerable to several external and domestic shocks. These require decisive and immediate correction at all times. During the first half of 2012, the cedi came under speculative attack and despite an election year, the Bank of Ghana and MOF implemented measures to stabilize the foreign exchange and reserve situations;
11. The correction of economic threats is an obligation that we cannot compromise. We need to work harder than ever to consolidate the

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economic fundamentals that have been built over the years. With the consolidation of these fundamentals the transition from a lower middle income country to a middle income country will be easier. The Bank of Ghana and the Ministry of Finance will continue to install early-warning mechanisms and programs to carefully identify and manage all sources of fiscal and monetary risks to the budget and financial framework.

12. Mr. Speaker, in fulfillment of government promise of improving the conditions of service and productivity in the public service, the NDC government undertook to implement the Single Spine Salary Structure (SSSS); an obligation that was bequeathed by the previous Administration on the very eve of its departure from power. Nonetheless, in the interest of social and industrial harmony the government proceeded with the roll-out. Government was mindful of the need to stop the continuing exodus of quality staff, improve salary levels and attract critical skill to enhance productivity.
13. The demands and pressures that came in the wake of the implementation of the scheme compelled government to shorten the 5 year implementation stretch. This has created the situation where compensation to public sector workers grew overnight to 72.3 percent of tax revenue (including oil) as at end December 2012: a figure that is in fact higher than the 60.9 per cent in November 2012 as cited in the State of the Nation address. This outcome has crowded out the fiscal space for spending on critical social intervention and other infrastructure programmes.
14. Mr. Speaker, at this stage there is therefore need to strike a balance between (a) public sector productivity and remuneration and (b) the equally important allocation of national revenues to expenditures on goods and services, and investments. We aim at achieving this through increased national output and higher levels of revenue mobilization.
15. Mr. Speaker, one of the critical challenges that Ghana faces in the quest to give real developmental meaning to its status of a Middle income country, is the imperative need to widen the socio-economic infrastructure space, through the replacement of old and worn out ones and the building of new ones. Our efforts to attract foreign investment, create international competitiveness for indigenous private business, encourage the entrepreneurship of the youth and

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provide gainful employment for our growing population, are contingent upon such expansion and modernization of our socio-economic infrastructure.

16. Mr. Speaker, the downside of our transition to a Lower Middle Income Country (LMIC) status is that we shall gradually lose a substantial amount of grants and concessional loans that accrue to developing countries. It means that we must rely more on our own internal resources and the capital markets for our developmental needs.
17. Therefore, Mr. Speaker, His Excellency President Mahama's first term will be used to implement programs that consolidate our fledgling middle-income status and extend its benefits to current and future generations. Already we are on track to consolidate our LMIC status.
18. As a nation that is determined to learn from its own history (and that of others), with respect to natural resource management, we passed the Petroleum Revenue Management Act (PRMA) to direct the use of identifiable oil and gas revenues. Consequently we have been complying with the Act in the following transparent and accountable manner:
  - Regular publication of various PRMA reports by MOF and BOG
  - The publication of the first report of the Public Interest and Accountability Committee (PIAC) that was laid before this House in 2012; and
  - The compilation of the first Annual PRMA Report by a Minister of Finance which I will lay before this House as part of the presentation of this Budget.
19. Obviously, there are lessons to be learnt from these reports and, therefore, while the Executive awaits the recommendations of this House, His Excellency President John Mahama has directed that we take the following appropriate steps:
  - Track the ABFA allocations transferred to the Consolidated Fund to ensure that they are used for pre-approved programmes and activities as required by Section 21 of the PRMA;

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- Ensure that the approved proportions of the Ghana Petroleum Funds (GPFs) are paid into the Ghana Stabilisation Fund (GSF) and the Ghana Heritage Fund (GHF) and in a manner that captures the spirit of the PRMA;
  - Prepare a plan for using part of the ABFA to set up an Infrastructure Fund to ensure the country's cost-effective access to the capital markets as part of the plan for enhanced financing of the country's capital expenditure; and
  - Ensure that the independent expert appointed under the Act works with relevant public institutions to validate the estimation of the Benchmark Revenue and improve the estimation of corporate tax revenues in particular, on account of the generous incentives that the petroleum sector enjoys under various agreements.
20. His Excellency, the President has also directed that MOF and the Attorney General's Department complete the PRMA Regulations, as part of a comprehensive review to improve the smooth implementation of the PRMA.
21. Thus, over the past three years the Government has strenuously sought and secured considerable foreign grants and loans, to rebuild worn out roads and construct new ones, construct classrooms, teachers' accommodations and other much needed educational facilities; in addition to building hospitals and clinics.
22. Unfortunately, a considerable proportion of the secured foreign loans remain in the disbursement pipeline; a situation that frustrates the process of closing the infrastructure gap. One of the key features of my tenure as Minister of Finance will be the removal of bottlenecks that impede the disbursement process.
23. Mr. Speaker, the structural challenges that face the nation require very decisive initiatives with their attendant huge financial implications. Over the years, the initiatives have been driven mainly by Government in spite of the huge potential of the private sector. It is, therefore, Government policy that the next phase of the transformation process must involve the private sector. In this respect, among others we will embark on the following specific actions:

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- The Private Sector Advisory Council chaired by H. E. President John Mahama, will continue to engage with the private sector at the highest levels;
- The Ministry of Finance will initiate a major review of our tax and investment promotion laws—to be tabled as Bills before this House by the Ministry of Finance - to bring them abreast with the needs of our investing public. Many of these were enacted over a decade ago and they have amendments that makes their implementation difficult;
- Government will accelerate targeted investment in several sectors of the economy to cater for the public goods that facilitate private sector activities such as marketing and exportation. These include infrastructure in transportation (e.g., roads, ports and railways), energy (e.g., power, oil and gas), agriculture (e.g., irrigation and buffer stock), public safety, education, and health (e.g., hospitals, clinics, and ambulances);
- The Ministry of Finance will lead a comprehensive review of services and charges at strategic public sector, trade and investment locations such as the airport, harbours and other entry points to ease business and reduce burdens on importers;
- It is the decision of government to consolidate various public sector identification programs including: national identification, driver's license, national health insurance, taxpayer identification, and others as part of cost saving measures;
- It is also the intention of government, to ensure implementation of local content policy even as we conduct a review of the public procurement law and other regulations to boost the domestic industry; and
- Government will also enhance the country's competitiveness in import-export (EXIM) trade, investment and loan arrangements and negotiations with advanced and BRICS-country EXIM institutions. This is to improve access to foreign markets by our local firms and strengthen our balance of payments (BOP) and current account (CA) situation.

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24. Mr. Speaker, we are resolved to tackling the main fiscal challenge which is the budget deficit. The sources of the excess deficit are known and include;
- Shortfalls in corporate income taxes, notably from the petroleum sector – GH¢708.2 million (1.0 percent of GDP);
  - Shortfall in grants from our development partners – GH¢389.4 million (0.5 percent of GDP);
  - Implementation of the single spine salary structure – GH¢1.91 billion (2.7 percent of GDP);
  - Higher interest cost – GH¢245.0 million (0.3 percent of GDP);
  - Utility and fuel subsidies – GH¢339.0 million (0.5 percent of GDP); and
  - Higher spending on goods and services (which is already constrained by other expenditures) – GH¢354.7 million (0.5 percent of GDP).
25. Mr. Speaker, as part of the corrective measures to be undertaken, in January 2013, the NPA announced an adjustment in petroleum prices to a reasonable level that is still below the full cost. Government will take seriously, the suggestion to implement a periodic upward or downward adjustments to avoid severe disruptions to public and private sector output and financial planning.
26. We will continue to identify credible sources for financing infrastructure projects to curtail costly and ad hoc short-term borrowing. The purpose is to curtail over reliance on short-term instruments such as treasury bills to finance the capital budget and deficit. Government will endeavour to maintain a stable macro-economic and debt service record in other to tap into the 10 year or more bond and loan markets. This will ease pressure on credit to the private sector and help reduce interest rates.
27. Mr. Speaker, since the problems are also structural, we are implementing more efficient systems and procedures for processing government transactions. In this regard:



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- Ghana Revenue Authority (GRA) will hasten its reforms to improve the tax processes and elevate them to an electronic platform; improve compliance to increase the level of taxes we generate; and root out corruption, tax evasion and tax avoidance;
  - Improve the efficiency of government expenditures by hastening the implementation of new budget and accounting modules under the Ghana Integrated Financial Management System (GIFMIS) reforms to replace existing manual processes.
28. Mr. Speaker, as already directed by Cabinet, MOF will evolve a financing plan to sustain the expansion of infrastructure into the near-term without threatening our public debt status. Debt sustainability is a crucial element of our sovereign ratings and our ability to borrow in a cost-effective manner to finance the infrastructure projects. Obviously, this is also a key element of our transition to middle-income status, as the flow of grants and concessional loans to the Budget dwindles. Some elements of an improved sovereign financing plan include:
- Ensuring that commercial projects pay for the facilities that finance their implementation, through mechanisms such as escrow and on-lending arrangements;
  - Financing the capital component of our Budgets with longer tenor bonds and loans, preferably from the international capital markets, to ease the pressure on the short-end of our domestic treasury markets (a practice that crowds out credit to the private sector and increases the cost of borrowing to businesses and the government);
  - Vigorously pursuing the public-private partnership (PPP) programme that the government approved in 2011;
  - Exploring the use of insurance and risk management options to reduce the premium that the country pays on its commercial loans for country and project risks;

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- Improving operational and financial efficiency in our state-owned enterprises—notably those in infrastructure development—to enable them borrow from the local and foreign capital markets on their own Balance Sheet, without recourse to sovereign guarantees;
  - Minimizing the risk that is put on public debt through the use of sovereign guarantees and making the issue of such guarantees commensurate with the risk that the state assumes in the implementation of all projects.
29. Mr. Speaker, I now proceed to present other key elements of the 2013 Budget which is aimed at sustaining confidence in the future of the Ghanaian economy.

### **GLOBAL ECONOMIC DEVELOPMENTS**

30. Mr. Speaker, following four years of weak and uneven recovery from the global financial crisis, the global economy remains susceptible to another economic downturn stemming from the lingering euro zone crisis and the challenges in dealing with the US fiscal crisis.
31. The International Monetary Fund's (IMF) World Economic Outlook (WEO) for January 23, 2013 provides a provisional global growth of 3.2 percent. In the advanced economies, growth slowed down from 1.6 percent in 2011 to 1.3 percent in 2012, while in the emerging markets and developing economies, the spillover effects of the problems of the advanced economies combined with internal problems led to reduction in growth rate from 6.3 percent in 2011 to 5.1 percent in 2012. Sub-Saharan Africa region also recorded slowdown in growth from 5.3 percent in 2011 to 4.8 in 2012.
32. Mr. Speaker, the world economic outlook may adversely impact on external demand as well as terms of trade of commodity exporters such as Ghana which depends primarily on favourable terms of trade for commodity exports.

### **MACROECONOMIC PERFORMANCE FOR 2012**

33. Mr. Speaker, macroeconomic management in the year was beset with challenges arising in part from the high wage bill which was the result

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of the implementation of the SSPP as well as the financial sector instability in early 2012 that stemmed from both domestic and external sources. These challenges notwithstanding, the economy posted some significant successes in the areas of economic growth, and price and exchange rate stability.

### **Real Sector**

34. Mr. Speaker, provisional GDP estimates released by the Ghana Statistical Service in September 2012 indicate that in real terms, the economy expanded by 7.1 percent. This compares with a growth target of 9.4 percent in 2012 and the actual outturn of 14.4 percent in 2011. The 2012 provisional growth rate of 7.1 percent is still high given that it is on top of the growth rate of 14.4 percent recorded in 2011 when the GDP first reflected the impact of crude oil production in commercial quantities.
35. It is important to note that provisional data for 2012 shows that growth in the oil sector was negative, implying that our growth of 7.1 percent was robust despite the slack in the oil and gas sector. The 2012 provisional growth rate compares favourably with the global growth of 3.2 percent and sub-Saharan Africa growth of 4.8 percent, according to the IMF's World Economic Outlook (Jan 23rd 2013).
36. Mr. Speaker, the Agriculture Sector recorded a growth rate of 2.6 percent against a target of 4.8 percent in 2012 and an actual outturn of 0.8 percent in 2011. With the exception of Forestry and Logging sub sector, all the other sub-sectors recorded higher growth rates than those of 2011 with Crops and Fishing sub-sectors making the largest contribution to agricultural output in terms of shares. The low growth in Forestry and Logging sub-sector can be attributed largely to the:
  - decline in the reforestation programme which started in 2010; and
  - reduction in the number of permits awarded to timber contractors and the effective enforcement of the ban on illegal logging activities in pursuit of environmental sustainability.

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37. Mr. Speaker, the Industry Sector, the second largest sector, recorded a growth rate of 7.0 percent in 2012 against a target of 15.8 percent and an actual outturn of 41.1 percent in 2011. The lower performance in 2012, compared to the actual outturn in 2011, is due largely to the base effect of crude oil production in 2011. The year 2011 witnessed significant growth in the output of the Mining and Quarrying sub-sector as a result of the introduction of oil production in commercial quantities.
38. The Mining and Quarrying sub-sector registered a growth rate of 5 per cent, against a target of 31.9 per cent, due mainly to a contraction in the oil and gas production occasioned by production difficulties in the Jubilee Field in the first half of the year. Recent data on oil production, however, shows a growth of 8.9 percent as at end-December 2012.
39. Mr. Speaker, the Services Sector, the largest sector of the economy, recorded the highest growth rate in the year under review. The Sector exceeded its 2012 target of 7.7 per cent by 1.1 percentage points to register a growth rate of 8.8 percent. The sub-sectors which contributed to this remarkable performance include Hotels and Restaurants (13.6 per cent), Transport and Storage (11.4 per cent), Financial Intermediation (11.4 per cent), Information and Communication (12.1 per cent), and Business Services (13.5 per cent).

### **Fiscal Sector**

40. Mr. Speaker, preliminary data on implementation of the Budget for the 2012 fiscal year indicates that, total revenue and grants was below the budget target. At the same time, expenditures for the period were higher than the budget estimate. This resulted in an overall fiscal deficit equivalent to 12.0 percent of GDP, against a target deficit equivalent to 6.7 percent of GDP. The deficit was financed mostly from domestic sources, resulting in a net domestic financing equivalent to 9.8 percent of GDP, against a target of 4.0 percent of GDP.
41. Mr. Speaker, Total revenue and grants for the period under review amounted to GH¢16,668.4 million, against a target of GH¢16,927.6 million. This was 1.5 percent lower than target, but 30.2 percent higher than the outturn for the corresponding period in 2011.

42. Mr. Speaker, Total expenditure, including payments made for the clearance of arrears and outstanding commitments, totaled GH¢25,317.1 million, equivalent to 35.2 percent of GDP. The outturn was 17.2 percent higher than the budget target of GH¢21,596.6 million and 64.0 percent higher than the outturn for 2011. The strong growth in expenditure was mainly as a result of higher recurrent spending and increased clearance of arrears.
43. Mr. Speaker, based on revenue and expenditure outturns for 2012, the overall budget balance on a cash basis was a deficit of GH¢8,648.7 million, equivalent to 12.0 percent of GDP. This was against a deficit target of GH¢4,669.0 million, equivalent to 6.7 percent of GDP. The budget deficit recorded for the corresponding period in 2011 was equivalent to 4.0 percent of GDP. The domestic primary balance also registered a deficit of GH¢1,172.1 million, equivalent to 1.6 percent of GDP, against a targeted surplus of GH¢1,737.5 million, equivalent to 2.5 percent of GDP.
44. Shortfalls in revenue and grants combined with higher spending were the sources of the fiscal slippage in 2012.
45. Mr. Speaker, Net Domestic Financing of the budget amounted to GH¢7,018.0 million (equivalent to 9.8 percent of GDP) against the budget target of GH¢2,760.6 million (equivalent to 4.0 percent of GDP). About thirty-two percent of the domestic financing was from the central bank and the remaining was from deposit money banks and non-bank public.
46. Foreign financing of the budget was GH¢1,630.6 million (equivalent to 2.2 percent of GDP), against a target of GH¢1,908.4 million (equivalent to 2.7 percent of GDP).

### **Oil and Gas**

47. Mr. Speaker, the fiscal year 2012 experienced an improvement in production of crude oil amidst initial production difficulties in the first two quarters of the year. The total volume of crude oil produced in 2012 was 26,351,278 barrels representing an increase of 8.9 percent over the 2011 production levels. The GNPC lifted crude oil five times

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on behalf of the State amounting to 4,931,034 barrels yielding US\$541.07 million (GH¢978.27 million).

48. Mr. Speaker, of the total oil lifting receipts of US\$541.07 million (GH¢978.27 million), Royalties amounted to US\$150.64 million (GH¢272.37 million) and the remaining US\$390.43 million (GH¢705.91 million) represented the State's Carried and Participating Interest. Other sources of petroleum receipts, namely, surface rentals and SOPCL royalties amounted to US\$552,418 (GH¢1,044,290) bringing the total petroleum receipts to US\$541.62million (GH¢979.32 million).

### **Distribution of 2012 Petroleum Receipts**

49. Mr. Speaker, petroleum revenues received in 2012 were allocated to the various allowable sources in accordance with the PRMA. Of the 2012 petroleum receipts of US\$541.62 million (GH¢979.32 million), an amount of US\$230.95 million (GH¢416.89 million) was transferred to GNPC comprising Equity Financing Cost of US\$124.63 million (GH¢224.21 million), and GNPC's 40 percent share of net Carried and Participating Interest of US\$106.32 million (GH¢192.68 million) in line with Section 7 of the PRMA.
50. Mr. Speaker, the remaining amount of US\$310.67 million (GH¢562.43 million) representing the Benchmark Revenue was distributed to the ABFA and the GPFs in line with sections 11, 18, 19, and 23 of the PRMA.

### **Utilization of 2012 Annual Budget Funding Amount**

51. Mr. Speaker, an analysis of the allocation to ABFA in 2012 shows that a total amount of US\$286.55 million (GH¢516.83 million) was allocated to ABFA in accordance with the PRMA against a projected ABFA of US\$383.52 million (GH¢614.55million) for the year resulting in a shortfall of US\$96.96 million (GH¢97.71 million). The main reasons for the shortfall in the 2012 ABFA allocation were the shortfall in production targets as well as the non-realization of corporate tax in 2012.
52. Mr. Speaker, of the total ABFA amount of GH¢516.83, an amount of GH¢273.07 million representing 52.8 per cent was spent on oil and gas infrastructure and amortization of loans in respect of such infrastructure whilst GH¢176.73million, representing 34.2 per cent was

spent on Road and Other Infrastructure. The remaining GH¢67.03 million (13 per cent) was spent on Agricultural Modernisation (GH¢42.09 million or 8.1 per cent) and Capacity Building (GH¢ 24.94 million or 4.8 per cent). Consistent with Section 21(4) of the PRMA which requires that a minimum of seventy per cent of the ABFA be used for public investments, 76 per cent of the 2012 ABFA was spent on public investments and the remaining 24 per cent was spent on goods and services.

### **Monetary Developments**

53. Mr. Speaker, provisional monetary data indicated a slower pace of growth in broad money supply including foreign currency deposits (M2+). Broad money supply grew by 24.3 percent in 2012 compared with 33.2 percent in 2011. By the end of December 2012, M2+ stood at GH¢22,620.5 million, compared with GH¢18,195.1 million in 2011.

### **Inflation**

54. Mr. Speaker, headline inflation went up marginally from 8.6 percent in 2011 to 8.8 percent in 2012, continuing the record single digit inflation for more than two years. Although the end year inflation missed the target of 8.5 percent, it remained within the target band of 8.5±2 percent. During the year, inflationary pressures remained largely subdued by low food price increases explained by seasonal factors. Food inflation peaked at 5.5 percent in July 2012 but declined to end the year at 3.9 percent. Partly reflecting the exchange rate pass-through, non-food inflation also increased to 12.5 percent in August 2012 and steadily declined to 11.6 percent in December 2012.

### **Exchange Rates**

55. The Ghana cedi traded weak in the first five months of 2012 due to intense demand pressure for foreign exchange partly reflecting a surge in import demand that accompanied the strong GDP growth in 2011 and the premature redemption of portfolio investments by non-resident. However, the introduction of policy measures by the Bank of Ghana helped to moderate the volatility in the foreign exchange market. The policy measures included policy rate hikes, introduction of new bills to mop up excess liquidity and monitoring of foreign exchange market activities. On a cumulative basis, the Ghana cedi

depreciated at the interbank market by 17.5 percent against the US dollar in 2012 compared to 4.97 percent in 2011.

### **Developments in Interest Rates**

56. Mr. Speaker, in response to the pressures in the foreign exchange market and its possible pass-through to prices, the Monetary Policy Committee (MPC) of the Bank of Ghana raised the Monetary Policy Rate (MPR) by cumulative 250 basis points from 12.5 percent in December 2011 to end December 2012 at 15 percent. As a consequence, interest rates trended up but the pace moderated during the second half of the year.
57. In the money market, interest rates on 91-day and 182-day bills went up from 10.7 and 11.3 to 22.9 and 22.88 percent, respectively, in December 2011 and December 2012. Similarly, rates on 1-year and 2-year fixed notes increased from 11.3 and 12.4 percent in December 2011 to 22.9 and 23 percent in December 2012, respectively. The long-dated instruments such as 3-year and 5-year bonds also rose from 14 and 14.3 percent in 2011 to 24 and 23 percent, respectively, during the period.

### **External Sector**

58. Mr. Speaker, provisional estimates indicate that the trade balance recorded a deficit of US\$4,249 million in 2012, pointing to further deterioration in comparison to a deficit of US\$3,057.3 million in 2011. This was on account of increased imports relative to marginal gains in export earnings.
59. The worsening trade balance, as well as increased outflows from services, income and current transfers, resulted in a current account deficit of US\$4,928 million in 2012 compared to US\$3,546.4 million recorded in 2011. The capital and financial account stood at US\$3,305 million in 2012, compared with US\$4,479.3 million in 2011, and was explained by higher short-term capital and net official capital outflows.
60. These developments resulted in an overall balance of payments deficit of US\$1,210.9 million in 2012, compared to a deficit of US\$546.5 million in 2011. By end 2012, gross international reserves stood at



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US\$5,348.9 million, compared to US\$5,474.6 million in 2011 and equivalent to 3 months of import cover.

### **Financial Stability in 2012**

61. Mr. Speaker, Ghana's financial system faced significant risks to stability in early 2012, emanating from both external and domestic sources. Threats to stability from external sources were mainly from the sovereign debt crisis in the euro area that spilled into the euro zone banking. Domestic threats to stability emanated mainly from rapid depreciation of the cedi, which constituted the major risk to macroeconomic stability in early 2012. Measures taken to contain threats to the system included three-consecutive hikes of the monetary policy rate that culminated in 250bps increase in the first half of the year and re-introduction of Bank of Ghana bills.
62. Mr. Speaker, by the end of 2012, the financial stability indicators pointed to steady improvement. Generally, the banking system remained strong in 2012 on account of increased capital levels of banks and reduced non-performing loans. Other sectors of the financial system comprising the insurance sector, the securities market and the Ghana Stock Exchange also registered improved performance.

### **Public Debt**

63. Mr. Speaker, the public debt (including government guaranteed debt) increased by 23 per cent from US\$15,350.08 million in 2011 to US\$18,832.77 million by end-December 2012. This represents 40.8 per cent of GDP in 2011 and 49.4 per cent of GDP by end December 2012. In terms of debt type, domestic debt grew by 30 percent (between 2011 and 2012) to constitute 53 percent of the total public debt, compared to 47 percent for external debt.
64. A combination of factors, including the reduction in the availability of concessional funds as a result of the Euro financial crises, contributed to the increase in non-concessional borrowing to finance infrastructure projects. The increased public debt was also due to issuance of longer-dated domestic debt instruments (3-year and 5-year bond). Although the rise in total debt has sent some shivers in sections of Ghanaians because of the fear of its medium to long term sustainability implications, we wish to assure Ghanaians that the debts

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were issued for priority and self-financing projects, including Eastern the Corridor Roads, Gas Processing Plant, Wa and other hospitals project, rehabilitation of the Western railway line, retooling of the Ghana Police and the provision of essential equipment to the military. They will, therefore, not pose threat to debt sustainability of the country.

### **New Loan Commitments**

65. Mr. Speaker, Government in 2012, raised loans to the tune of about US\$2,286.24 million (of which US\$1,089.75million was concessional and US\$1,196.49million non-concessional), to implement various infrastructural projects in an effort to help bridge the gap in development, consistent with our middle income status.

### **Debt sustainability Analysis**

66. Mr. Speaker, the Ministry of Finance in conjunction with the World Bank recently undertook a debt simulation exercise for the end of year 2012, to ascertain our country's debt sustainability levels. This assessment revealed that Ghana remains within the category of moderate risk of debt distress – the same rating the joint World Bank/IMF mission assessed in November 2011. The assessment, though, showed that public external debt burden indicators remained below their respective thresholds; it also showed an increasing trend in the liquidity ratios, especially the debt service-to-revenue ratio which is projected to average about 9.1 percent of GDP between 2013-2018 from the current 7.5 percent.
67. Mr. Speaker, projects under the CDB financing arrangement are progressing smoothly. Works are far advanced on the Western Corridor Gas Infrastructure Project, and application made for the supply and installation of ICT enhanced surveillance under the Integrated National Security Communication Project. Ministry of Finance is working diligently with the beneficiary MDAs to finalize relevant project preparation documents to ensure timely completion of projects. The completion of these projects will significantly reduce the infrastructural deficit in critical areas of the economy.

### **Petroleum Hedging Programme**

68. Mr. Speaker, Government in the 2012 Budget mentioned the hedge programme put in place to contain the phenomenon of crude oil price escalation, with the view to achieving price stability and guarantee the availability of petroleum products on the Ghanaian market at all times. The hedging programme has largely been successful. The key benefit has been a stabilization of the prices of finished petroleum products which were partially protected by the hedge when crude oil prices soared from \$78 per barrel in September 2010 to \$128 per barrel in April 2011 and from the lowest average price of \$95.77/pbl in June 2012 to the highest price of \$124.50 / pbl in March, 2013.
69. The impact of the latest (and still on-going) oil crises on the economy of Ghana would have been very consequential, had the hedging policy not been put in place. In view of the potential benefits, government intends to strengthen further the programme in 2013.

### **Macroeconomic Policies and Targets for 2013**

70. Mr. Speaker, the Ghana Shared Growth and Development Agenda (GSGDA) is expected to end in 2013 and, it is expected to be replaced by a successor Plan by end of July 2013. The medium-term framework for this Budget is informed by the policy direction for the remaining duration of the GSGDA and the Manifesto of the National Democratic Congress (NDC) as presented to the good people of Ghana.
71. Mr. Speaker, in his Sessional Address to Parliament delivered on February 21, 2013, H.E. the President indicated that, the vital strength underpinning our national development programme will focus on four pillars, namely putting the People First; a Strong and Resilient Economy; Expanding Infrastructure; and Transparent and Accountable Governance. These pillars will, therefore, inform our medium-term economic framework as we formulate our economic policies.
72. Mr. Speaker, the details of macroeconomic targets for 2013 are outlined below:
- real non-oil GDP growth of 6.5 percent;
  - real overall GDP growth including oil of 8.0 percent;

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- average inflation of [8.9] percent;
- end period inflation of [9.0] percent;
- overall budget deficit equivalent to [9.0] percent of GDP; and
- gross International Reserves of not less than three months of import cover for goods and services.

73. Mr. Speaker, it is projected that economic growth will remain strong and inflation is also expected to remain in single digit in 2013, in spite of the fiscal challenges and risks that confront the economy.
74. Measures will be taken to protect the credibility of fiscal policies and the deficit target. Strong monetary policy stance is expected to be maintained to ensure the stability of the cedi and support our single digit inflation target. The fiscal programme will hinge on the rationalisation of expenditure and strengthened revenue collection.
75. Public Financial Management will be strengthened within the context of our macroeconomic policies and fiscal discipline to prevent overspending and avoid new arrears accumulation.
76. Mr. Speaker, implementation of the Ghana Integrated Financial Management Information System (GIFMIS) is expected to reduce the occurrence of outstanding payments and help with implementation of the realignment of the Budget that was mentioned by H.E. the President in his Sessional Address.

### **Real Sector**

77. Mr. Speaker, based on the policies and strategies to be pursued in the medium term, the economy is projected to grow at no less than 8 percent from 2013 to 2015. On annual basis, it is projected that real GDP will grow at 8 per cent in 2013, 8.7 per cent in 2014 and 8.9 per cent in 2015.
78. Mr. Speaker, consistent with our policy of ensuring that adequate attention is given to the non-oil sector to prevent the Dutch Disease, the non-oil GDP is projected to grow at an average of 8 percent in the medium term. On annual basis, it is projected that the non-oil GDP will

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grow by 6.5 percent in 2013 and increase further to 8.9 percent in 2014 and 9.4 percent in 2015.

**2013 Petroleum Receipts and Distribution**

79. Mr. Speaker, based on an estimated average crude oil price of US\$94.36 per barrel and daily production of 83,341 barrels, the total petroleum receipts projected for the 2013 fiscal year is US\$581.72 million (GH¢1,122.72 million).
80. Mr. Speaker, in line with Section 18 of the PRMA, a maximum of 70 percent of the Benchmark Revenue is allocated as the ABFA and the remaining sum is allocated to the GPFs.
81. Mr. Speaker, it is, therefore, proposed that out of the Benchmark Revenue of US\$390.28 million (GH¢753.24 million), an amount of US\$273.20 million (GH¢527.27 million) be allocated as ABFA and the remaining US\$117.08 million (GH¢225.97 million) as the GPF. The 70 percent allocation of the GPF to the GSF will amount to US\$81.96 million (GH¢158.18 million) whilst the 30 percent allocation to the GHF will amount to US\$35.13 million (GH¢67.79 million)
82. Mr. Speaker, in line with Section 21(5) of the PRMA, the ABFA would be spent in the following four priority areas:
  - Expenditure and Amortization of Loans for Oil and Gas Infrastructure;
  - Road and Other Infrastructure;
  - Agricultural Modernization; and
  - Capacity Building (including Oil and Gas).
83. The four priority areas which were approved by this august House in the 2011 Supplementary Budget, will be reviewed for the 2014 fiscal year in accordance with Section 21(6) of the PRMA.

## **STRUCTURAL REFORMS OF THE MEDIUM TERM AGENDA**

### **Sustainability of Government's Wage Bill**

84. Mr. Speaker, as indicated earlier, the huge wage bill has crowded out the fiscal space for spending on critical social intervention and other infrastructural programmes. Going forward, the following measures will be taken to ensure the sustainability of the SSPP and reverse the worrying trend of the public sector wage bill:

- Consistent with the White Paper on the SSPP, the SSPP is to be implemented within a five-year period, therefore, aspects of the pay policy with huge fiscal implications will be spread over the five-year period rather than rush their implementation;
- Government will ensure that the SSPP, which is an all-embracing Government policy, will apply to all Ministries, Departments and Agencies that are fully or partially on Government budget except those which are exempted by the Constitution or an Act of Parliament. In addition, Government will speed up the migration of subvented agencies onto the mechanized payroll system as part of measures to ensure efficient control and management of the payroll.
- The FWSC, the MOF, Public Sector Reform Secretariat, the Public Services Commission, the Office of the Head of Civil Service and other relevant agencies will carry out complementary public sector reforms to ensure that pay is linked to productivity in the public service. Public service workers are expected to match the increased pay that has resulted from the implementation of the SSSS with improved productivity to ensure the sustainability of the pay policy;
- The wage adjustments in the public service and the current exercise on the rationalization and standardization of categories 2 and 3 allowances will be undertaken within budgetary constraints in the implementation period;
- Government has decided that emphasis will be laid on determining the National Minimum Daily Wage and negotiating

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the public service wage before the annual budget is submitted to Parliament for approval;

- Government will, as a matter of urgency, ensure that market premium guidelines are issued to provide more clarity on the determination of market premium and prevent its abuse; and
- The payroll upgrade, auditing, and biometric registration exercises will be mainstreamed into the Government payroll and human resource management system and there will be strict enforcement of existing wage management regulations on government officials who renege on their responsibilities, thereby, promoting payroll fraud.

### **External Sector**

85. In the medium term, the thrust of external sector policy will focus on the accumulation of external reserves to provide support for exchange rate stability during external shocks. The reserve build up will be largely supported by favourable world market prices of the major export commodities and anticipated foreign inflows from portfolio and foreign direct investments.

### **Price and Money**

86. The objective of monetary policy will be maintained on price stability which provides an enabling environment for economic growth. In the medium term, monetary policy stance will focus on risks in the outlook that may confront the economy from both domestic and external sources, and at the same time remain complementary to government's fiscal consolidation efforts in the years ahead. The Bank of Ghana will continue to enforce prudential regulations to ensure soundness and stability of the financial system to enhance financial intermediation efforts in the economy.

### **Outlook for Debt Management in 2013**

87. Mr. Speaker, the end December 2012 debt simulation exercise showed vulnerability to the exchange rate in a stress test with the debt to GDP ratio approaching its threshold by the end of 2018. The main vulnerabilities are related to a high debt service-to-revenue ratio

which may pose a risk to the fiscal outlook. While overall public sector debt is projected to marginally increase in relation to GDP in the medium term, the ratio of 49.5 per cent at end December 2012 does not provide strong buffers against shocks. Government in this regard will embark on a gradual fiscal consolidation and additional revenue mobilization measures, supported by a stable economic growth.

### **Loan Financing and Infrastructure Projects**

88. Mr. Speaker, Government is on course with the implementation of key infrastructure projects under various loan financing arrangements committed in 2011 and 2012. Works are far advance on the Western Corridor Gas Infrastructure Project under CDB of China, the Bui Hydro Dam Project by EXIM China is expected to be completed this year, the water projects by EXIM Turkey and Korea are to commence this year, as well as the Tamale Project, the Flyover Project and some portion of the Eastern Corridor Road Project supported by the Brazilian PROEX facility. MoF is working diligently with the beneficiary MDAs to finalize relevant project preparation document to ensure the timely preparation of these and other projects in the pipeline. The completion of these projects will significantly reduce the infrastructural deficit in critical areas of the economy.

### **Petroleum Hedging Programme**

89. Government plans to continue the petroleum hedging programme in 2013 with plans to hedge about 2 million barrels of crude oil per month, aimed at stabling crude oil prices. To this end, MOF will embark on an education campaign with the aim of managing public expectations about the programme and underline the fact that the programme is first and foremost a price protection strategy, rather than a profit-making venture.

### **Resource Mobilisation Initiatives**

#### **Tax Revenue**

90. Mr. Speaker, Domestic Tax Effort as measured by the Tax/GDP (non-oil) ratio improved from 15.1 percent in 2011 to 16.0 percent in 2012. However, the Tax/GDP ratio including oil (excluding exemptions) increased from 15.4 percent in 2011 to 16.3 percent in 2012. The



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following reasons accounted for the performance of Tax revenue in 2012:

- higher than anticipated payments for corporate tax from some mining companies on account of high gold prices;
- higher than anticipated payments for mineral royalties on account of high gold prices;
- efficiency gain from the ongoing revenue administration reform; and
- shift from specific to ad valorem basis in excise taxation.

91. Mr. Speaker, while recognizing the strong revenue performance in 2012, the country needs to sustain revenue mobilization efforts in view of the huge funding requirements needed to close the country's infrastructure gap and domestic payment of arrears. The focus on revenue generation in the 2013 fiscal year therefore, is to expand the tax base and improve the efficiency of tax administration.

### **Tax Bills**

92. Mr. Speaker, the Customs, Excise and Preventive Service, the Internal Revenue Service and the VAT Service were organized into one business unit, the Ghana Revenue Authority. The GRA reform was established in 2010 and the reforms have brought Customs, Internal Revenue Service and the VAT Service under one Commissioner General. The specific functions of Customs and Domestic tax divisions are being headed by various Commissioners. The reforms will ultimately lead to efficiency gain and remove duplication of functions. However, the various Commissioners will have to maintain flexibility in carrying out their function under the overall control of the Commissioner General. The Ministry of Finance will assist to smoothen out this reorganization so that the intended synergy in operations will be achieved with positive results.

93. Mr. Speaker, there is the need to consolidate and harmonize all the various tax laws. During the year, the following laws will be tabled before Parliament.

- The Revenue Administration Bill;

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- The Value Added Tax Bill;
- The Income Tax Bill;
- The Customs Bill; and
- The Excise Bill.

94. Mr. Speaker, the following are the tax proposals for 2013.

**Domestic Taxes**

**Personal Income Tax Bands**

95. Mr. Speaker, in line with our social democratic principles, personal income taxation will continue to be used as a measure for equitable distribution of income and also for protecting low income earners. Taking cognizance of the current inflation trends in the country, the impact of real increases in GDP on personal incomes, and to compensate for the loss in purchasing power of income earners, the income tax thresholds and brackets are being revised as follows:

**Table 1: Tax Bands**

	<b>Income Band (GH¢)</b>	<b>Rate (%)</b>
First	1,584	Free
Next	792	5
Next	1,104	10
Next	28,200	17.5
Exceeding	31,680	25

**Revision of Personal Reliefs**

96. Mr. Speaker, personal reliefs are a means of reducing the burden on tax payers in certain categories. It is noted that not many tax payers take advantage of personal reliefs which are granted when tax returns are filed. I would wish to encourage tax payers to file their annual returns to take advantage of reliefs since subsidies are not the right way for compensating low income earners. The following personal reliefs are proposed:

**Table 2: Personal Reliefs**

<b>Item</b>	<b>2011 Rate</b>	<b>2013 Rate</b>
Marriage/Dependent Responsibility	100 currency points	200 currency points
Old Age	100 currency points	200 currency points
Child Education	100 currency points up to 3 Children	200 currency points up to 3 Children
Aged Dependent	50 currency points	100 currency points
Training Cost	200 currency points	400 currency points

97. Mr. Speaker, the Ghana Revenue Authority (GRA) is to set up a dedicated office to assist tax payers in filing their tax returns. Additionally, the GRA will simplify the present tax returns form which will make it a lot more convenient for tax payers who have no other income apart from their salaries to file returns.
98. Mr. Speaker, in order to set the pace, all staff of the GRA must file their 2012 tax returns and assist other public and civil servants to do the same.

### **Vehicle Income Tax**

99. Mr. Speaker, in the last revision of vehicle income tax, existing quarterly rates were increased for vehicles of all categories except trotros and taxis. It is only fair that we adjust these rates that have not changed since 2005. For example an owner of a 33-seater commercial vehicle is paying only GH¢15 per quarter (GH¢ 5 per month) as compared to rates paid by public servants and other workers in the formal sector. It is to be noted that the incidence of this tax is not on the drivers of these vehicles but on the owners. There is an alternative for the owners to opt to file their tax returns if they believe this presumptive tax is too high. Owners who will opt to file their tax returns will take advantage of the additional deductions allowed for business (e.g. capital allowances and personal reliefs).

### **Environmental Taxes**

100. Mr. Speaker, the growing concern about climate change in many advanced and developing countries have brought environmental issues to the forefront of the policy agenda in most of the advanced and developing countries of which Ghana should not be left out. The

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argument has always been pointing at the need to introduce a more comprehensive environmental tax system. Ghana is currently facing several environmental challenges and in the area of environmental sanitation, solid waste management presents a challenge to many District Administrations across the country.

101. Mr. Speaker, the annual rate of generation of solid waste is high and over the past decade this has increased from about 7,000 metric tons/day in 1996 to about 13,800 metric tons/day in 2011 (Ministry of Local Government and Rural Development, 2012). The waste problem is most deplorable in urban communities, which struggle with ever-increasing populations due to rural-urban migration.
102. Mr. Speaker, one of the major constraints militating against waste collection and disposal is lack of funding. Currently, the main sources of funding for environmental sanitation services are from the national budgetary allocation and donor support while the Municipal and District Assemblies are expected to use significant portions of their locally generated revenue to handle their waste collection and disposal. These sources of funding have been inadequate and in the case of donor support, unsustainable. Other competing demands in the national budget tend to make funding for environmental sanitation a low priority.
103. Mr. Speaker, in view of this an Environmental Fiscal Reform working group has been formed to look at the various fiscal instruments around the world that can be used to raise revenue for addressing environmental problems in Ghana. The group will also look at how the funds raised can be appropriately applied to addressing the environmental concerns in waste management, transport and mining sectors to mention a few. The group will present some proposals in the 2014 budget.

### **Environmental tax on Plastic**

104. Mr. Speaker, Environmental taxes have been introduced on plastics at a rate of 15 percent with exemptions for pharmaceuticals and agricultural sectors. Also, plastic for water sachets were exempted. Mr. Speaker, it is time as a nation for us to find a solution to the environmental hazards of water sachets. In this respect, the Ministry of Finance (MoF) and the GRA will later in the year submit proposals for the review of the tax regime.

### **Penalty on over-aged vehicles**

105. Mr. Speaker, previously cars beyond a certain age were completely banned in the country. However, it was later decided to impose penalties instead of the outright ban on old aged cars. Considering the environmental implications of over age cars and the risk associated with its usage on our roads, the MoF and the GRA will conduct a comprehensive review of the tax regime on overaged cars and submit proposals to Parliament in the course of the year.

### **Tax Amnesty**

106. Mr. Speaker, in the 2012 Budget we offered a tax amnesty to all companies and individuals who have defaulted in the payment of their taxes. This amnesty is still in effect. It appears from returns so far received that the response from the real estate sector is not encouraging. I wish to call on real estate owners who receive rental charges to take advantage of the ongoing exercise on tax amnesty and get registered.
107. Mr. Speaker, businesses in the oil and gas sector who supply final products and do not report their incomes for taxation are also being advised to take advantage of the tax amnesty and register for tax purposes. The GRA will embark on a rigorous exercise after the grace period ends to bring all defaulters to book.

### **Airport Tax**

108. Mr. Speaker, the Kotoka International Airport is not only serving as a hub for the West Africa region but, in addition, the number of passengers and airlines are increasing putting the facilities in use at the airport under pressure. It is the intention of the government to upgrade the facilities to higher standards.
109. Mr. Speaker, currently, revenue raised from the Airport tax is shared between the GRA and the Ghana Airport Company. I am proposing that the Ghana Airport Company be allowed to retain all Airport tax collections so that the entire revenue raised can be used to develop both the international and local airports. The Ministry of Finance and the Ministry of Transport will in due course present a sustainable plan for infrastructure development and expansion of all airports in Ghana.

### **Communication Service Tax (CST)**

110. Mr. Speaker, when the CST was introduced in 2008, it was fixed at an ad valorem rate of 6 percent on a minute call charge. In addition, an interconnectivity charge was added to raise revenue for services rendered by mobile operators to each other when they are dealing with calls from customers. The 6 percent was arrived at in order to remove the cascading nature of the interconnectivity charge. However, Communication Service Companies have raised an issue of double taxation in the interconnectivity charge.
111. Mr. Speaker, in consultation with the industry a bill will be presented to Parliament later this year to take care of these issues which will not lead to any revenue loss to the State. However, the communication companies are being urged to pay all accrued arrears.

### **Customs Assurance/Destination Inspection**

112. Mr. Speaker, for more than fifty years, all imports into the country have been under pre-shipment destination inspection. This system has not resolved the issue of corruption at the ports. This system cannot be allowed to continue forever. Therefore, after the existing contracts expire, the Customs Division of the GRA will assume the full responsibility for valuation, quality and quantity of imports, in line with the new thinking of the World Trade Organization (WTO). The GRA will develop a module that will enhance the existing risk management module and assist in carrying out this assignment. Currently, the GRA has eight commodities under their valuation assurance program. During the course of the year, the coverage will be increased to cover all the high value commodities.

### **Tax Technical Assistance**

113. Mr. Speaker, Ghana was subjected to a Phase one Peer Review by the Global Forum of the Organisation of Economic Cooperation and Development (OECD) in October 2010 and the associated report published in May 2011. Ghana subsequently joined the Global Forum in May 2011. The report made seven recommendations which must be implemented before Ghana undergoes the Phase II Review in the second half of 2013. To implement the Phase 1 recommendations, some amendments to the legal and regulatory framework are required. The amendments relate to the Anti-Money Laundering Act

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2008, (Act 794), the Companies Code 1963, (Act 179) and the Internal Revenue Act, 2000 (Act 592). Government will in the next few weeks introduce the relevant Bills to effect these amendments.

114. Mr. Speaker the phase one review also recommended that Ghana increases its Tax Information Exchange Agreements (TIEA). These TIEAs allow jurisdictions to exchange information among themselves for tax and other purposes. This tool is used by tax authorities around the world to mitigate tax risk and tax evasion across borders. In 2013, Ghana will initiate steps to enter into more TIEAs with our relevant trade and investment partners.
115. Mr. Speaker our relationship with some Development Partners led to the promulgation of a Transfer Pricing Regulation in 2012. Even though Act 592 made provision for transfer pricing abuses, it could not be implemented because of lack of a transfer pricing regulations. Staffs of GRA and other stakeholders like the Judiciary, the Police and the business community have been trained with the support of the Development Partners. In 2013, a special unit will be set up to conduct special audit to detect transfer pricing abuses. It is believed that these special audits will lead to a reduction in transfer pricing abuses and, ultimately, result in bigger profits declaration for tax purposes.

**Increase in Value Added Tax threshold**

116. Mr. Speaker, Government will continue to improve efficiency in tax administration. The VAT registration threshold which is currently GH¢ 90,000 will be increased to GH¢120,000 in fiscal year 2013. This proposal which was announced in the 2012 Budget Statement was not implemented for technical reasons. Businesses with turnover of less than GH¢ 120,000 over a twelve month period will pay a presumptive tax of 6 percent of turnover. Other businesses that do not deal in goods on which VAT can be applied will pay a flat rate of 3 percent. These taxpayers will fall within the category of small taxpayers and the GRA will put in place the necessary measures to operationalize the small tax payer offices that are being set up as part of the tax administration segmentation programme. This will be in line with an enhancement of the presumptive tax system. The increase in VAT threshold does not constitute an increase in VAT rate.

### **Tax Exemptions**

117. Mr. Speaker, it is estimated that tax expenditure is about 3.28 percent of GDP. Compared to the actual tax revenue/GDP ratio of 17.1 percent, it can be concluded that this is on the high side. In the past, attempts to reduce exemptions have been marginally successful. We intend to introduce new control measures to be incorporated in the new Bills to be tabled before this House later this year to reduce the overall impact of tax exemptions. A recent OECD study showed that direct tax accounted for most of the exemptions, followed by VAT and customs exemptions. Prior to this study most of the control measures that were put in place affected mainly customs exemptions. Once we are aware of the entire impact we will go ahead and review the overall tax exemptions regime will be reviewed in order to drastically reduce the granting of tax exemptions.
118. Mr. Speaker, against this backdrop MOF and GRA will undertake a comprehensive review of the following:
- tax Incentive for agro-processing business;
  - tax incentive for location of businesses;
  - withholding tax rate on management and technical fees; and
  - VAT on imported services.
119. Mr. Speaker, in order to reduce the abuses of tax incentives, a special monitoring team will be formed in the Ministry of Finance and the GRA to monitor the administration and use of tax incentives granted to NGO's, charitable organizations and all other institutions under the various incentive regimes. The team will also conduct periodic cost-benefit analysis of the various tax incentives currently in place.
120. Mr. Speaker, over the past years, government has given tax incentives to some professionals in the public institution under a special vehicle waiver scheme. In order to create a level playing field for all professionals in the country and also to prevent a situation of extending the incentive to all professionals (which will eventually erode the tax base), the GRA and the TPU will conduct a



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comprehensive review of the special vehicle waiver scheme and later present some proposals to Parliament in the course of the year.

### **Corporate Tax**

121. Mr. Speaker, over the years corporate tax rates have been reduced to a level of 25 percent for most of the corporate entities in the country except the natural resources sector which has a rate of 35 percent. For tax certainty, we do not intend to vary these rates. However, recent observations are giving cause for alarm. Transfer pricing abuses, inflated cost, and unallowable expenses are reducing the amount of profits for taxation. The GRA will conduct in depth audit to stem these abuses.

### **Tax Refunds**

122. Mr. Speaker, delayed payment has been a common feature of our VAT refund and duty drawback system. The Ministry of Finance and Economic Planning will ensure that there are enough resources available for refunds and duty drawbacks. Initially, two percent of GRA's collection will be dedicated to this Fund. At the end of each financial year, any excess amount standing in the refund account will be transferred into the Consolidated Fund. Ultimately, the GRA in its administrative improvement, will adopt an accounting system that will allow taxpayers to offset such refunds against other tax liabilities.

### **Capital Allowances**

123. Mr. Speaker, the maximum cost base of road vehicle other than commercial vehicle is currently pegged at GH¢25,000 for capital allowance purposes. The amount was last reviewed in 2004 from GH¢15,000 per Act 669. It is proposed that a new amount not exceeding GH¢70,000 will apply in 2013 due to the rising cost of vehicles. This will be restricted to brand new vehicles with capacity not exceeding 1.8 cc acquired by a business.

### **Windfall Profit Tax**

124. Mr. Speaker, in 2012 the windfall profit tax Bill was tabled in Parliament. The Bill sought to impose a Windfall Profit tax of 10 percent on mining companies. Unfortunately, the Bill could not be considered by Parliament. A committee is reviewing all stability

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agreements and incentives in the mining sector, and civil society interest groups have also submitted recommendations on how to adequately tax the mining industry. In the coming weeks, Government will seek to re-introduce the Bill in Parliament after due consultation with all stakeholders.

### **Withholding Tax on Rents**

125. Mr. Speaker, in 2002 a final withholding tax was imposed on the rents received as investment income at a rate of 10 percent. This was further reduced to 8 percent in 2006. Though we still have a deficit in residential accommodation, more landlords are converting residential accommodation into commercial ones. The GRA will improve the administration of rent tax, including withholding elements, in conjunction with the street/premises numbering programme as well as property taxation by the MMDAs, particularly, with the Ministry of Local Government and Rural Development.

### **Policy Initiatives**

126. Mr. Speaker, in 2013 the following policy initiatives will be undertaken:

#### **Development of a Fiscal Risk Management Plan**

127. Mr. Speaker, developments over the years has exposed the need to carefully identify and manage all sources of fiscal risk to the budget. Governments have, over the years, endeavoured to ensure macroeconomic stability through the implementation of prudent fiscal and monetary policy measures. However, there remains a huge challenge in bringing unplanned and unanticipated expenditures under control.

128. These expenditures include contingent liabilities from State Enterprises, subnational governments and unexpected legal claims. In the absence of an institutional framework, and effective management system, government's ability for effective fiscal management is reduced thereby, undermining the credibility of the budget.

129. Mr. Speaker, in recognition of this, the Ministry of Finance in the coming year, will develop and implement a Fiscal Risk Management Strategy (FRiMs). The strategy will identify all sources of fiscal risk,

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categorize them, undertake a comprehensive analysis of the risk and put in place a plan to manage them, ensuring that they are minimized as much as possible.

130. An institutional framework and monitoring systems and other risk mitigation measures will be developed to manage all contingent liabilities.
131. It is expected that over the medium term, this initiative will lead to an improved and sustained government fiscal outcomes.

### **Water for Schools**

132. Mr. Speaker, most schools in Ghana do not have access to clean water and sanitation facilities. For a lot of the boarding schools, access to water remain a major challenge and affect learning and other critical activities of the schools.
133. As part of efforts to address the deficit in water provision, Government has decided, as a priority over the medium term, to ensure that all primary, junior and senior high schools in the country have access to clean and potable water.
134. The Ministry of Works and Housing will collaborate with the Ministry of Education to undertake a needs assessment of water and sanitation facilities in all existing schools and draw up a programme to meet the existing gaps. With regards to new schools, conscious effort will be made to provide adequate water and sanitation facilities as part of the essential requirements for the schools.

### **Infrastructure Development through Public Private Partnership (PPP)**

135. The country faces an infrastructure funding gap of US1.5 billion a year. In the coming year, government will increase its effort to involve the private Sector in public infrastructure development. In connection with that a PPP Law is being developed to provide the framework for the increased involvement of the private to meet the current infrastructure deficit.

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136. It is the expectation of Government that Ghanaian development professionals and institutions will appropriately position themselves to participate actively in the opportunity open to the Private Sector and thereby pride themselves as having provided adequate local content in this new business initiative.

**Millennium Challenge Account**

137. Mr. Speaker, with the successful completion of the Compact I, Ghana was selected as one of the four countries to submit proposals for Compact II. Taking cognisance of the critical energy requirement of the country, the Compact II has been entirely earmarked for the energy sector. It is expected that the implementation in the Compact will make Ghana self-sufficient in Energy generation

**DACF Management Reforms**

138. Mr. Speaker, aligning, MMDA's budget with the national budget will provide a medium term outlook in all sources of funding to the MMDAs. In connection with that, measures will be put in place to ensure that DACF, DDF and UDG ceilings are determined at the budget preparation stage. It is expected that the timely provision of such information will improve the efficiency and effectiveness of budget management at the local level.

**"Girls in ICT" Programme nascent**

139. To increase the interest of girls in ICT knowledge, the Ministry of Communication will collaborate with the Ministry of Gender Children and Social Protection to initiate the celebration of girls in ICT Programme as part of the activities marking the annual commemoration of the World Communication and Information Society Day.

**Securities Depository**

140. Mr. Speaker, the country has two depositories for the management of stocks and other securities. These depositories are databases that store electronic information of individuals and group investments made for treasury bills, bonds, shares etc.
141. Mr. Speaker, in 2013 the two Depositories will be merged to create one National depository for all securities. This will provide easy access

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to information on securities, enhance efficiency in the securities market and lower transaction cost.

142. Mr. Speaker, government will also implement the following measures to improve efficiency in the delivery of services in 2013. They include:

- A temporary freeze on the creation of new GYEEDA modules and the recruitment of additional new beneficiaries in pursuance of government policy of reviewing and re-aligning GYEEDA activities;
- A review of the allowances of Chiefs to include judicial allowances in response to their adjudication role;
- The provision of GH¢10,000,000.00 to furnish the Parliamentary Tower Block and GH¢10,000,000.00 for the construction of MPs Constituency Offices;
- The registration of all government Vehicles with GV Number Plates.
- The introduction of a hire purchase plan for the acquisition of Vehicles by government officials;
- Taking of inventory of all government Vehicles in all MDAs and MMDAs will be undertaken;
- The standardisation of allocation of fuel coupon for official use across Ministries;
- The piloting of electronic toll collection on the Tema Motor-way and other road networks;
- The Media Development Facility will be resourced with additional GH¢2,000,000.00;
- The promotion of the use of Solar Energy and portable Gas stoves;
- The restructuring of the National Board for Small Scale Industries (NBSSI) into an umbrella supervisory body for SMEs; and

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- The consolidation of the role of National Identification Authority (NIA) to be responsible for the compilation and management of all primary Biometric data for official use.

### **SECTORAL PERFORMANCE AND OUTLOOK**

#### **ECONOMIC SECTOR**

##### **Performance for 2012**

##### **Agriculture**

143. Mr. Speaker, the use of technology to improve agricultural production has been the main objective of Government policy in agriculture. The key interventions are: the adoption of livestock production technologies, agricultural mechanization, irrigation development, fertilizer subsidy, seed improvement, quality standardization, and the implementation of modern buffer stock management techniques.

144. In this regard, Mechanization Service Centres were established in 62 districts. The Agricultural Machinery Subsidy Programme also provided 150 units of 50HP Cabrio compact tractors imported in semi knock-down forms. The first lot of 50 units of these tractors were distributed to smallholder farmers across the country.

145. Mr. Speaker, under the Fertilizer and Seed Subsidy Programme 300,000 farmers benefitted from 170,000mt of fertilizer and 20,000kg of improved seeds of maize, rice and soybean.

##### **Fisheries and Aqua Culture**

146. Construction works have begun in earnest on the Anomabo Fisheries College to improve then knowledge and skills of the players in the sector. A curriculum for the college has also been developed.

##### **Lands and Natural Resources**

147. The core objectives in natural resource management is to ensure efficient and sustainable management and utilization of the nation's lands, forests, wildlife and mineral resources for the socio-economic growth and development of the country. To accomplish these objectives the following programmes were undertaken:

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- 9,426 hectares of land were demarcated for afforestation, out of which 3,698 hectares were planted with trees. This created not only over 10,000 full time jobs but also restored degraded forest landscape and addressed the deficit in wood supply for both industrial and domestic purposes.
- the establishment of the Regional Task Forces to collaborate with National Security to address issue of illegal mining and resultant land degradation. So far, five regional task forces are operational in the Eastern, Greater Accra, Ashanti, Western and Central Regions;
- the completion of a blueprint to establish District Lands Commission Offices to decentralize land administration services; and
- the completion of a policy document on granting large tracts of agricultural land to improve the management of land acquisition in the country.

### **Trade and Industry**

148. Mr. Speaker, the Governance structure for Private Sector Development Strategy (PSDS) II and the trustees to manage the accompanying fund has been set up.
149. Mr. Speaker, it is gratifying to note that the Ayensu Starch factory at Bawjiase in the Central Region which started test production in 2011 is currently running effectively and has produced 35,000 tonnes of cassava starch.
150. Mr. Speaker, to promote the sustainable development of the Central Region through partnership with the private sector and development partners, CEDECOM completed the construction of 37 boreholes and 9 CHPS compounds. The Children's Library and Park at Kasoa and the Sports Stadium at Agona Swedru and the rest stop at Eyisam are at various stages of completion.

### **Tourism, Culture and Creative Arts**

151. Mr. Speaker, Government engaged the Tourvest Investment Group of South Africa and secured their interest to invest in the ecologies of Mole and Kakum National Parks, and Shai Hills. The Ghana Tourism Authority established the Tourism Development Fund to develop and promote the sector. In this regard, the Tourism Levy Regulations LI 2185 was passed to operationalize the Tourism Act 817.

### **Energy and Petroleum**

152. The on-going construction work on the 400 Mega Watts Bui Power Project is progressing satisfactorily. Transmission lines for power evacuation for Bui – Sawla, Bui – Kintampo and Bui – Techiman are 98 percent complete. Nine substations were upgraded to increase transformer capacity in the New Tema, Akwatia, Achimota, Asanwinso, Takoradi, Techiman, Kumasi, Winneba and Akosombo substations. Work on Tumu-Han-Wa Transmission Line also commenced.
153. Mr. Speaker, the construction of a 161/34.5kV substation at Buipe to serve a new cement factory, Buipe township and its environs has been completed and in commercial operation.
154. Mr. Speaker, to facilitate the sector objective of increasing the proportion of renewable energy in the national energy mix from the current 0.01 per cent to 10 per cent by 2020, installation work for 752 off-grid solar systems for remote public institutions (GEDAP Phase II) commenced with 50 per cent of the installations done. In addition, 255 off-grid solar PV systems have been installed for remote public institutions on lakeside and island communities.
155. Exploratory activities by GNPC and Partners intensified resulting in six new discoveries in 2012 which are at various stages of appraisal and development. These are Hickory North, Almond, Beech, Pecan, Sankofa East and Wawa. This brings to a total of 22, the number of hydrocarbon discoveries made since June 2007.
156. Mr. Speaker, work has commenced on the laying of onshore 111Km 20-inch pipes from the site of the processing plant at Atuabo to the Aboadze Thermal Station. The core processing units of the Gas



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Processing Plant are currently being fabricated in Canada and the entire modular plant is expected to be delivered to Ghana in the first quarter of 2013.

157. Draft Regulations to provide legal backing to the Local Content Policy was developed and laid before Parliament. A Memorandum of Understanding for the establishment of an Enterprise Development Centre in Takoradi was signed between the Ministry of Energy, Tullow Ghana Limited and Ministry of Trade and Industry to train SMEs in the Oil and Gas Industry to take advantage of opportunities in the oil and gas sector.

### **Tema Oil Refinery (TOR) Debt**

158. Government over the years has been saddled with the debt of TOR. At the end of December, 2008 the total debt in the books of TOR was GHC1,678 million increasing to GHC1789 million at the end of 2009. As part of Government's effort to find a solution to the TOR debt, Governments in 2010 made a payment of GHC445 million to Ghana Commercial Bank (GCB) to help reduce the debt of TOR.
159. Government again in March 2011, restructured the TOR debt by securitising the TOR debt through the issue of medium term government bonds. To date Government has made payment on behalf of TOR to the tune of GHC1,137 million.
160. In our quest to find a lasting solution to the perennial financial challenges of TOR a technical, operational and financial diagnostic review was commissioned. The audit has been completed and the recommendations including maintaining the timely implementation of price adjustment arrangements are being implemented to ensure that TOR operates efficiently on a financially sound basis well into the future and thus bring to a close the TOR debt phenomenon. In the process the re-capitalisation of TOR will be an important requirement and various options are being considered for this purpose.

### **Environment, Science, Technology and Innovation**

161. Mr. Speaker, Government procured and distributed 108,000 laptops under the Better Ghana ICT Project with the aim of promoting skills

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and knowledge in Information Communication Technology among pupils and students countrywide.

162. In addition, the Government developed the National Climate Change Policy and Strategy, built capacity for Clean Development Mechanism Programme and conducted country assessment on achievements for sustainable development.

## **INFRASTRUCTURE SECTOR**

### **Water Resources, Works and Housing**

163. Mr. Speaker, under the phase II of the Atorkor-Dzita-Anyanui Emergency Sea Defence Works, the Groyne System being constructed to protect the 1.5km stretch of the coast is about 95 per cent complete. Similar works were done on the 1.5km stretch of revetment to protect the Accra-Tema rail line from the effects of sea erosion under the Sakumono Sea Defence works.
164. Mr. Speaker under the Kpong Water Supply Expansion project, substantial works have been completed on the booster station and reservoir at Dodowa. Thirty-seven kilometres out of 73km transmission pipelines were laid while work on the Water Treatment Plant is 45 per cent completed. Overall progress of project is 37 per cent complete.
165. Construction works to expand the Kumasi water supply from the current production capacity of 24mgd to 30mgd is 90 percent complete, while the Mampong water supply project to add 1.76 million gallons a day of water to the supply is on-going.
166. Mr. Speaker, all communities under the Sustainable Rural Water and Sanitation Project (SRWSP) were engaged in Community Led Total Sanitation (CLTS) activities during the year. In addition, an assessment for rehabilitation of 13 Small Town Water Supply Systems in the Northern Region was completed. These towns are: Bole, Bimbilla, Chereponi, Daboya, Gambaga, Walewale, Salaga, Gushiegu, Nalerigu, Saboba, Tinga, Wulensi and Zabzugu.

## **Roads and Highways**

167. Mr. Speaker, under the Trunk Road Development Projects, the following major roads were completed during the period: Achimota-Ofankor, Nsawam Bypass, Nkawkaw Bypass 1, Akatsi-Akanu, Akatsi-Agbozume and Techiman–Apaaso. In addition, contracts were also awarded for the following major trunk road projects and works are in progress: Asikuma Junction–Hohoe, Dodo-Pepesu Nkwanta, Nkwanta–Oti Damanko, Fufulso-Sawla, Ayamfuri-Asawinso and Agona Junction to Elubo.
168. Under the Feeder Road Development Project, a total of 104 bridges were launched. Out of these, 82 have been completed and opened to traffic while the rest are at various stages of completion. Some of the completed bridges are on the following roads; Tetegu Jn.–Tetegu, Dodo Amafrom – Dodofe, Osuboi – Ponponse, Nsutapong – Chakachakam, Eshiro Jn.–Eshiro – Kwesigyan, Potsin Jn.–Awobrem, Abochie –Nyankaman, Torya Jn.–Torya, Drabonso – Dawia, Ahenkro-Boaman–Amoako, Wenchiki–Bumbrugu, Zabzugu–Kuntumbiyilli, Bolgatanga–Naga, Bui–Zanlerigu, Karni–Kulkarni, Kundugu–Bawasabele.
169. Mr. Speaker, in collaboration with the Ministry of Local Government and Rural Development, Government continued with the Urban Transport Project with the objective of reducing congestion on our roads. The following road works were completed during the period under review: Expansion of the Odaw Bridge and construction of flyover bridge, Extension of the La-Teshie road, Gulf House to GIMPA by-pass, Dansoman main road, all in Accra. Reconstruction of the Oforikrom-Asokwa bypass (including an Interchange at Timber Gardens) and the Lake road in Kumasi, and over 200 No. of Traffic signals in the major urban centres were rehabilitated to reduce intersection bottlenecks.
170. Contracts were awarded for the following major urban road projects; Giffard Road (from 37 to T-Junction), Burma Camp Road (from Giffard road to Spintex road), Area-Wide traffic Control System for Accra and works are currently on-going.
171. Government improved revenue generation into the Road Fund for the maintenance of the road network. Toll collection commenced at New

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Offinso (Kumasi-Techiman), Kubease (Nkawkaw-Kumasi) and Sawla (Bole-Wa). The total revenue generated in 2012 was about GH¢235million which is GH¢26million more than the total revenue that accrued in 2011.

### **Transport**

172. Re-construction of Net-Mending Wharf for the canoe basin (Tema Fishing Harbour) is about 70 per cent complete. This will support local artisanal fishing industry at the Tema Community.
173. The construction of 4 ferries for cross ferry services on the Volta Lake and 2 new cross ferry vessels and landing site were completed and are currently in operation at Adawso-Ekye Amafrom and Kete Krachi.

### **Communications**

174. In the area of Telecommunications, the total telephone subscription for both cellular/mobile and fixed line as at December, 2012 stood at 25,903,408, yielding a tele-density of 105 percent. This is a marked improvement from the December 2008 figure of 11,713,699 representing 52.4 percent tele-density.

## **SOCIAL SECTOR**

### **Education**

175. Mr. Speaker, Government continued with its objective of improving access and quality of education. To this end a number of interventions were implemented. These include:
- payment of Capitation Grant of GH¢32.1million to 5,467,808 pupils in all public basic schools;
  - payment of subsidy of GH¢7,518,157 for the 2012 Basic Education Certificate Examination (BECE);
  - provision of free school uniforms for 1.6 million pupils in deprived communities;
  - distribution of 28.4 million free exercise books to Basic Schools;

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- distribution of 53,555 laptop computers under the Basic Schools Computerization Project to over 2,000 schools;
- payment of subsidies for 697,917 and 51,487 students in Senior High Schools and Technical Vocational Institutes respectively; and
- completion of ten two-storey emergency dormitory blocks and 206 six-unit classroom blocks.

176. Mr. Speaker, in line with Government policy to reduce to the barest minimum the incidence of schools being operated under trees and temporary structures, a total of 1,683 schools are being constructed. Forty-two percent of the schools have been completed and handed over to the beneficiary schools while 20 percent are at advanced stages of completion. The remaining 38 percent are at various stages of completion.

**Health**

177. Mr. Speaker, 209 new functional Community-Based Health Planning Services (CHPS) zones were created in consonance with the Better Ghana Agenda objective of enhancing access to Primary Health Care.

178. To support improvement in pre-emergency health services, 161 new ambulances were procured. In addition 28 new ambulance stations were opened bringing the total number of stations to 52.

179. Mr. Speaker, the Ministry completed the following projects: 5 polyclinics (phase II) in the Upper West Region ( Wechau, Babile, Lambussie, Ko and Hain), office complex for the Food and Drugs Authority, rehabilitation and upgrading of Tamale Teaching Hospital (phase I), Eye Centre at Komfo Anokye Teaching Hospital, water improvement projects in selected health facilities in Brong Ahafo Region and the installation of new MRI and CT scan equipment in Korle-Bu, Komfo Anokye and Tamale Teaching Hospitals. In addition, the Children's Ward, Theatre for Kidney Transplant and Neurosurgery were also rehabilitated at the Korle-Bu Teaching Hospital.

### **Public Safety**

180. Mr. Speaker, internal security is critical for accelerated socio-economic development and the attainment of sustainable development which is contingent on the maintenance of peace, safety, security and stability. In this regard, Government implemented measures to further reduce crime rate especially robberies, drug trafficking/abuse, chieftaincy, inter-ethnic and land conflicts as well as murders.
181. Mr. Speaker, Government procured a total of 1,094 vehicles of various types, 2,200 Bullet-proof vests, and 4,400 Ballistic plates, 100 Helmets with communication gadgets, 1,000 walkie-talkies and four speed boats for the security services. The Police Service also introduced Automated Fingerprint Identification System (AFIS) to enhance investigation of cases by the Criminal Investigation Department. The Forensic Laboratory of the Police Service has been added to the AFIS facility to enable the Police carry out D.N.A. profiling locally.

### **Poverty and Social Protection Programmes**

182. Mr. Speaker, consistent with the objectives of the Ghana Shared Growth and Development Agenda (GSGDA) and the Better Ghana Agenda, Government continued to expand access to basic services and facilitate the provision of employment opportunities for the youth and the vulnerable in society. Poverty-focused activities received about one third of total Government expenditures in 2012. Key achievements under the various programmes are as follows:
- the Livelihood Empowerment Against Poverty (LEAP), the flagship social protection programme, received attention during the year and provided cash grants to over 60,000 households;
  - the Ghana School Feeding Programme (GSFP) is currently covering 1,582,402 pupils in 4,545 beneficiary schools;
  - the Local Enterprises and Skills Development Project (LESDEP), provided 44,735 beneficiaries with skills training in vocational, entrepreneurship and business development services and set-up equipment to start their own businesses in various trades;
  - under MASLOC:

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- i. lending Operations covered 168 Districts out of the 170 districts. Recovery rate for new loans disbursed stood at 70.06 per cent; and
- ii. a total of 1,000 outboard motors were distributed to fishermen in all the fishing communities in Ghana for the fishing industry. It is estimated that, at least 13,000 new direct jobs and additional 20,000 indirect jobs were created;
- iii. 6,450 bundles of fishing nets were distributed to help minimize the use of unapproved fishing nets.
- iv. 390 Hyundai Verna cars and 200 Hyundai Accent cars on hire purchase were distributed to individuals and taxi drivers across the ten regions of Ghana.

### **OUTLOOK FOR 2013**

#### **Food and Agriculture**

##### **Agriculture Estate Programme**

183. Under the Accra Plains programme, Government will begin work on 11,000 hectares agriculture estate, facilitate sustainable agricultural production and provide employment. Graduate from Agriculture tertiary institutions will be encouraged to participate in the programme.
184. Government through the Ministry of food and Agriculture will coordinate the procurement and distribution of 180,000mt subsidized fertilizer to farmers. In addition, web-based software for the smooth implementation and management of fertilizer and seed subsidy programme will be introduced. Furthermore, 4,127mt of seed cotton and 9,472mt of lint will be produced.
185. Construction works will commence on the Accra Plains Irrigation Project covering an area of 11,000ha, the Mprumen dam and the 3 dams in Koori, Zuedem and Tankasa in the Builsa District of the Upper East Region. The Vea Scheme, Dawa dam and the 10 dams in the Volta and Greater Accra Regions will also be rehabilitated.

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186. Mr. Speaker, the number of Agricultural Mechanization Service Centres (AMSECs) will be increased to cover at least 170 districts in order to provide mechanization services to farmers who cannot afford their own machines. One thousand tractors, 100 maize planters, 50 seed drills, 50 boom sprayers, 10 maize/soya harvesters, 50 rice threshers, 100 shellers and 50 dryers will be procured to support the Agricultural Mechanization Service Centres (AMSECs), individual farmers and processors among others. It is intended to provide on season and off season employment for holders of agriculture machinery.
187. Government will also finance the construction and mechanization of 500 boreholes on farmer fields for irrigation, animal watering and agro-processing.
188. COCOBOD will continue the treatment and control of the Cocoa Swollen Shoot Virus Disease (CSSVD) which has continued to threaten the sustainability of the industry through cutting and removal of affected trees. An amount of GH¢9.7 million has been allocated for this programme. Government will continue to support farmers to replant and rehabilitate cocoa farms in key growing areas which started in 2009/10, a project aimed at reversing the trend of low productivity.

### **Fisheries and AquaCulture**

189. Mr. Speaker, Government will also pursue an accelerated aquaculture development strategy to fill in the gap in fish supply. Improved aquaculture development packages such as, feed and credit will be rolled out to interested farmers. In addition, the Ministry will train farmers to increase fish pond productivity from 1.5 metric tons/ha to 2.5 metric tons/ha and also increase output from the current 20,000mt to 40,000mt within the year.
190. To equip the actors in the fishing industry with skills in sustainable fishing practices, the construction of the administration block, hostels, laboratories and lecture halls for the Fisheries College at Anomabo will be continued.

### **Trade and Industry**

191. Government will continue its pursuit of the implementation of the Private Sector Development Strategy phase II (PSDS II) to widen



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economic opportunities for the transformation of the Ghanaian economy and to develop a thriving private sector that creates jobs and enhances livelihoods for all.

### **Tourism, Culture and Creative Arts**

192. The Government recognizes the potentials of the Creative Industries to shape and reinforce Ghana's economic growth. The creative economy is the complex interaction between culture, economics and technology. The emerging creative economy has become a leading component of economic growth, employment, trade and innovation, and social cohesion in many countries.
193. Government will facilitate the development of cultural villages and enclaves as a critical appendages to tourism which is fast gaining economic relevance as a source of revenue generation and employment creation. The creative arts industry will be supported with GH¢3 million in 2013.

### **Energy and Petroleum**

194. Mr. Speaker, the 132MW Takoradi T3 Power Project which was projected to be formally commissioned by the end of the first quarter of 2013 has been duly commissioned by His Excellency, the President. The Bui Hydroelectric Power Project would come online with the full capacity of 400MW by end 2013.
195. The completion of the Gas Infrastructure Project for the onshore/offshore pipeline in respect of the regulatory and metering station and the gas plant is scheduled for completion in the third quarter of 2013. Testing and commissioning are to be done in the third quarter and commercial operation in the fourth quarter of 2013.
196. As part of measures to promote local content and participation in the petroleum industry, an Enterprise Development Centre (EDC) in Takoradi with support from the Jubilee Partners will be fully operational in the course of the year. This will facilitate the training of SMEs to be properly positioned to take advantage of the oil and gas industry.

### **Environment, Science, Technology and Innovation**

197. Government will procure and distribute 100,000 laptops to individuals and educational institutions to promote the teaching, learning and use of ICT. Government will also provide training for the youth in assembling and repairing of ICT equipment, promote skills and knowledge in Information Communication Technology and create jobs.

### **Water Resources, Works and Housing**

198. Mr. Speaker, Government will construct 1,200 new bore holes, rehabilitate 400 old bore holes, and develop 40 Limited mechanised water facilities and 29 Small Town Systems in the Upper West, Upper East, Northern, Brong-Ahafo, Central and Western Regions of Ghana.
199. Mr Speaker, Government will continue with the construction of 1.5 km of the defence wall along Atorkor-Dzita-Anyanui shore line, Sakumono and Ada Sea Defence works. In addition, the Ngyiresia Sea Defence works to salvage the adjoining road from being totally washed away by the sea waves will commence.
200. During the year the expansion of the Nsawam water system, the Mampong water supply system and the Kumawu, Kwahu Ridge, Konongo water systems will be continued.

### **Roads and Highways**

201. Mr. Speaker, the government's overall objective under the road sector is to achieve a preferable road condition mix in line with the GSGDA. To achieve this objective, the underlisted projects are to be undertaken: Nsawam-Suhum-Apedwa road, Tetteh-Quarshie-Madina road, Madina-Pantang road, Berekum-Sampa road, Kpando-Worawora-Dambai road (PhIII), Wenchi-Sampa road (PhII), Bomfa Junction-Asiwa-Bekwai road, Sefwi Bekwai-Eshiem-Asankragwa road (km 10-56), Asankragwa-Enchi road, Navrongo-Tumu road.
202. The rest are Sofoline Interchange in Kumasi, Spintex road-Polo ground bypass, Boundary road (American house-Madina), Emergency road rehabilitation of Spintex and East Legon roads.
203. Mr. Speaker, other major on-going projects that will achieve significant progress in 2013 include: Buipe-Tamale road project, Eastern corridor

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roads (Asikuma Junction–Have, Nkwanta–Oti Damanko), Ayamfuri-Asawinso road, Agona Junction-Elubo road, Giffard and Burma Camp roads, Tarkwa–Bogoso road and Awoshie–Pokuase road and community development project.

### **Transport**

204. The Takoradi Port Development Project will commence to upgrade the port to meet the demands in the emerging oil and gas industry. The breakwater extension, dredging and reclamation, construction of bulk ore handling facility, quay-walls and related basic marine infrastructure in the Port of Takoradi will be continued.

### **Communications**

205. Mr. Speaker, in line with the Government's commitment to accelerated development, access to Information and Communication Technology (ICT) has been identified as a necessity to advance this agenda. In this regard, the Government will continue the construction of the 600 km rural-urban fibre optic broadband infrastructure from Ho to Bawku.

### **Education**

206. Mr. Speaker, over the next four years, Government will construct 200 new community non-boarding senior high schools. This year, GH¢173 million will be provided for the construction of 50 community non-boarding schools. An amount of GH¢89 million will be provided for the removal of schools under trees while GH¢62 million will be provided for 10 colleges of education.
207. Mr. Speaker, Government will present a draft Bill to Parliament for the establishment of a new University for Sustainable Environmental Development and Research in the Eastern Region. GH¢5 million has been allocated for preparatory works towards the establishment of the Eastern Region University.
208. Mr. Speaker, Government will continue to provide free uniforms for pupils in basic schools in deprived districts. Capitation Grant and free exercise books will be provided to approximately 5.7 million basic school pupils nationwide as well as subsidy for 410,109 registered BECE candidates.

209. Mr. Speaker, to ensure that education is accessible to children with special needs, Government will continue to provide feeding to over 4,557 pupils in special schools. The Ministry would also facilitate the ongoing construction of Assessment Centres as well as equip special education units.
210. To attain the target of 95 percent of trained teachers at all levels by 2015, the Ghana Partnership for Education Grant will be used to train at least 5,000 teachers in the Untrained Teachers Diploma in Basic Education (UTDBE) qualification. Government together with its donor partners will support 57 deprived districts and basic schools in support of planning, monitoring and delivery of basic education services in deprived districts.

### **Youth and Sports**

211. Mr. Speaker, notwithstanding the inability of the Black Stars to win the prestigious 2013 African Cup of Nations tournament in South Africa, Government will continue to support the team to participate in the Brazil 2014 FIFA World Cup qualifiers.
212. Mr. Speaker, the Youth Enterprise Development Project will take off. It is estimated that over 300,000 jobs will be created in the entrepreneurial and self-employment modules.

### **Gender, Children and Social Protection**

213. Mr. Speaker, Government will engage stakeholders on the draft National Gender Policy (NGP) to validate the document before submission to cabinet. In addition, the Ministry will continue to implement the Gender Responsive Skills and Community Development Project (GRSCDP) to assess the performance of Ghanaian women, micro entrepreneurs and the youth to increase their access to both financial and non-financial services.
214. A special programme to deal with the peculiar hygiene needs of the adolescent girl to improve their retention in schools

## Health

215. Mr. Speaker, Government will undertake the following to improve the delivery of quality health services in the country:

- Strengthen governance and improve the efficiency and effectiveness of the health system.
- Improve access to quality maternal, neonatal, child and adolescent health and nutrition services.
- Bridging equity gaps in access to health care and ensure sustainable financing arrangements that protect the poor.
- Intensify prevention and control of communicable and non-communicable diseases.
- Strengthen institutional care including mental health service delivery.

216. Mr. Speaker, Government will scale up coverage of HIV Prevention of Mother-to-Child Transmission (PMTCT) towards elimination target by 2015.

217. Mr. Speaker, for infrastructural development, the priority projects for this year are as follows:

- The Construction of 5 polyclinics in Brong Ahafo region;
- Construction of 597 capacity bed in University of Ghana Teaching Hospital at Legon;
- Expansion of Radiotherapy and Nuclear medicine centres at Korle-bu and Komfo Anokye Teaching Hospitals;
- Expansion of Health Training Institutions;
- Upgrading and rehabilitation of Greater Accra Regional Hospital (Ridge Hospital) and the Tamale Teaching Hospital (phase II);

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- Supply and installation of hospital beds and other medical equipment for various hospitals nationwide;
- Construction of trauma and acute pain centre at Korle-Bu;
- Design construction and furnishing of 7 district hospitals (Abetifi, Fomena, Dodowa, Garu Timpone, Takoradi Metropolitan, Kumawu and Sekondi);
- Completion of works on District Hospital at Tarkwa;
- Continue work on Maternity Block for Tema General Hospital;
- Continue works on Maternity & Children's Block at Komfo Anokye Teaching Hospital;
- Procurement of 200 Ambulances; and
- Supply of assorted equipment for replacement in various hospitals nationwide.

**GOVERNANCE AND PUBLIC SAFETY**

218. Mr. Speaker, Parliament will complete the establishment of a Fiscal Analysis Office (FAO) to provide in-house capacity on fiscal, financial and budget analysis and will also support the work of Parliament across its legislative, representation and oversight functions.
219. Mr. Speaker, the Police Service in collaboration with other security agencies will continue to maintain peace, internal security and stability to ensure conducive environment for accelerated socio-economic development. In this regard, the Special Weapons and Tactic (SWAT) Unit will undergo special training to enhance their professional outlook in order to enhance crime prevention and control.
220. Mr. Speaker, the Fire Service will provide adequate fire hydrants to enhance fire-fighting, ensure that Metropolitan, Municipal and District Assemblies (MMDAs) improve upon market fire safety to prevent and contain fire outbreaks in the markets.

## **Poverty and Social Protection Programmes**

221. Going forward, Government spending on poverty will focus on reducing inequalities – inequalities between north and south, between women and men, and between various occupational groupings. Government will work with the private sector to translate economic growth into the creation of jobs especially for the youth. It will also support various skills development programmes. We will work to ensure that we reduce extreme poverty, hunger and malnutrition. Government will continue to improve access to safe water, maternal and child health and also provide social safety nets for the vulnerable in society. Making progress towards the MDG targets which are almost at the finishing line will be our priority this year, making sure we sustain progress so far made and continuing to address the challenges.
222. Mr. Speaker, beneficiaries who have served their two-year internship and those whose internships have been renewed for additional one year will be exited. In this regard, the Community Education Teaching Assistants (CETA) and Health Extension Workers (HEW) totaling about 50,000 who have served 3 years and above on the Programme will be exited.
223. The Agency will extend the biometric system which was piloted in the Eastern Region to all the other regions to improve and sanitize the payroll system.
224. Mr. Speaker, the issue of job creation has become a global challenge, especially in the wake of the global financial meltdown. Whilst Ghana Youth Employment and Entrepreneurial Agency (GYEEDA, previously known as the National Youth Employment Programme - NYEP) and other schemes have provided some short-term reliefs, government is developing more sustainable solutions to the employment problem by linking more effectively with the private sector and other community-oriented efforts to create and sustain employment. As a way of consolidating the People First Social Compact that underpins the social democratic principles of the NDC government, we will continue to provide the public and private sectors with the needed incentives that would facilitate business expansion and job creation, enable the youth to enter and stay in worthy and skill-based employment through various forms of industry-supported schemes.

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225. In this regard, Government will also revamp existing credit schemes such as MASLOC and Venture Capital, alongside new schemes, such as the Youth Entrepreneurship Development Fund to provide financial leverage to aspiring entrepreneurs as part of the job creation agenda.
226. Mr. Speaker, the National School Feeding Policy will be launched and implemented. The programme will also collaborate with NAFCO to introduce other food commodities other than rice.
227. Mr. Speaker, the program will be expanded to cover 60,000 beneficiaries. Needs assessment will be conducted to determine new viable businesses in 4 regions. The development of the monitoring and evaluation framework will be finalized.

### **CONCLUSION**

228. Mr. Speaker, in summary, the policies outlined in this Budget seek to sustain confidence in the future of the Ghanaian economy. Towards this end, we have fashioned and will continue to fashion pragmatic policies to correct imbalances that threaten our economic aspirations and lay a firm foundation for consolidating our middle income country status.
- We are determined to realign expenditures, especially, on non-funded projects, Personnel Emoluments, which is now out of proportion to expenditures on Goods and Services as well as infrastructure developments.
  - We are determined to continue with measures and programmes that give effect to our commitment to the welfare of the vulnerable members of our society, through judicious allocation of resources.
  - We are determined to avoid the phenomenon of long delays in completing government projects, and ensure that all major capital projects have clearly identified sources of finance without which there will be no approval by the Ministry of Finance.



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- We are determined to improve coordination of central government programmes with the MMDAs that control statutory funds.

229. Mr. Speaker, thus far, we have managed to push the economy onto a higher growth trajectory, maintained relative macroeconomic stability in the midst of the turbulent global financial crises and attracted sizeable investments into critical sectors of the economy. The exchange rate of the cedi against Ghana's trading partners has stabilized. Inflation has been in single digit for over 2 years.

230. Our delivery of critical economic and physical infrastructure has been unparalleled and will continue.

231. The administration of H.E. John Mahama will remain faithful to the NDC's philosophy of social democracy and continue with well-targeted social intervention programmes for the benefit of all the people of Ghana. Indeed, the Better Ghana Agenda continues unabated.

232. Mr. Speaker, every country in the world is experiencing its fair share of economic challenges. However, we in Ghana have reason to feel confident in the future of the Ghanaian economy judging from our overall performance. We must all understand that if we work together to overcome the current challenges, we all stand to benefit from the opportunities that would be created. We must not and should not seek refuge in blame games. This is not the time for that.

233. I believe in solving problems as and when they confront us. That is what efficient and effective governance is all about. As the Minister for Finance, I will keep an open mind and remain receptive to good ideas that will help advance our goal of attaining High Middle Income Status and spread the benefits to all Ghanaians within the shortest possible time.

234. Mr. Speaker, I beg to move.