REPUBLIC OF GHANA

REVIEW OF THE BUDGET AND ECONOMIC POLICY

of

GOVERNMENT

and

SUPPLEMENTARY ESTIMATES

for the

2016 FINANCIAL YEAR

presented to

PARLIAMENT

on

MONDAY, 25TH JULY, 2016

by the

HON. MINISTER FOR FINANCE
SETH E. TERKPER

on the Authority of

H. E. JOHN DRAMANI MAHAMA
PRESIDENT OF THE REPUBLIC OF GHANA

SECTION ONE: INTRODUCTION

1. Mr. Speaker, I beg to move that this Honourable House approves the sum of one billion, eight hundred and eighty-eight million, two hundred and three thousand, and three hundred and eighty-seven Ghana Cedis (**GH¢1,888,203,387)** as Supplementary Estimates for the 2016 Financial Year.

2. Mr. Speaker, in doing so, I would proceed by first presenting to this august House, a review of the performance of the economy of Ghana for the 2015 and 2016 Financial Year.

3. Right Honourable Speaker and Honourable Members of Parliament, on the authority of the President, His Excellency John Dramani Mahama, the positive review and, in particular, the need for Supplementary Estimates are necessitated by both domestic and global developments.

4. Mr. Speaker, again on behalf of the President, I wish to express our profound appreciation to this august House for your cooperation in the management of the economy. In particular, we wish to show appreciation for the House's pursuit of a very active legislative agenda in the areas of fiscal, financial and monetary management.

5. No doubt, this has contributed to a very clear ***"turnaround story"*** that now shines the nation's path to a well-planned bright positive prospects for the economy. Despite a few lingering problems, we will demonstrate in this Statement that the context today is clearly different from the ***"challenges"*** that made H.E. President Mahama call on fellow citizens to change course from an unsustainable path—when I presented my first Budget on His Excellency's authority to you in March 2013.

6. The specific aims of this review and Supplementary Estimates are to:
   - brief Honourable Members on the performance of the economy during the first five months of 2016;
   - update the House on the macroeconomic performance as well as the Budget Estimates for the 2016 Fiscal Year;
   - request the House to approve Supplementary Estimates for 2016 Fiscal Year; and
   - report on progress of major Initiatives and programs being implemented in various sectors of the economy.

7. Mr. Speaker, the update will highlight the overall positive impact of the President's policies. It will show that several daunting domestic and international challenges did not hinder our determination to change course. More importantly, the strategic focus enabled us to pursue the very active infrastructure and development programmes that the President himself has been presenting in his ***"Accounting to the People"*** visits. This is also the basis for the ***"turnaround"***

and the course for pursuing a very robust growth agenda for the near-to-medium term.

8. The launch of our "***Home Grown" policies***, which are now part of the IMF Program, were designed to achieve fiscal consolidation; address short-term vulnerabilities; reduce a high budget deficit that had become harmful to the private sector; as well as stabilize and reverse the rise in the post-HIPC public debt. *Mr. Speaker, we are on course to achieving these goals through management of prudent fiscal, financial, sectoral, and monetary policies.*

9. Provisional fiscal data up to end-December 2015 show that total revenue and grants were higher than the Budget targets by 5 percent. The overrun in total expenditures, including arrears, narrowed to 2.1 percent above target. These performances resulted in a cash budget deficit of 6.3 percent of GDP, much better than the Budget target of 7.3 percent and 10.2 percent in 2014.

10. Indeed, at 0.2 percent of GDP at the end of 2015, the primary budget balance—that shows our ability to service loans for development—was a surplus for the first time in over a decade.

11. GDP also grew by 3.9 percent at end-2015, better than the projected 3.5 percent. It is getting better, with the economy growing by 4.9 percent in the first quarter of 2016, compared to 4.5 percent for the

same period in 2015. In spite of unanticipated shortfalls in price and production of crude oil, GDP growth is projected to end the year at 4.1 percent or better.

12. The nation's public debt level rose rapidly from a very low 26 percent in 2006—with the steepest post-HIPC increase of 31 percent in 2007—to approximately 72 percent by end-2015. We note that HIPC reduced the public debt from over 150 percent of GDP to 26 percent and created significant borrowing space. That era ended with the increase in public debt above sustainable levels.

*13. We are proud to note that, for the first time since the declaration of HIPC in 2001 we were able to first, slow down the **rate of growth of debt accumulation** between 2014 and 2015; and, second, now reverse course, with the **debt-to-GDP** ratio falling from 72 percent of GDP at end-2015 to 63 percent at end-May 2016. Certainly, this is not the trajectory that will take the nation back to HIPC, as some had predicted only recently. We will persevere in bringing down the level of our public debt.*

14. Mr. Speaker, the budget deficit is also narrowing, as we raise more domestic revenues and curtail expenditure overruns. Though the debt level is declining, we are able to continue the rapid expansion of infrastructure through prudent project management. The currency has been fairly stable; and private sector confidence is bouncing back. *All these point to a **turnaround and very bright prospects***

for the economy. As promised when we launched the Home Grown policies, the trend rovides us with the opportunity to remove the temporary taxes—the Fiscal Stabilization Levy and the Temporary Import Duty—that helped reverse course, in the near term.

15. Mr. Speaker, notwithstanding these positive developments, there have been a number of challenges in the domestic and global economic environment since the presentation of the 2016 Budget to this august House in November 2015. These developments have affected the assumptions underlying the Budget.

16. First, crude oil prices declined to a low US$28 per barrel (pbl) in January 2016, compared to the US$53.05 pbl used in the Budget. Even though the price has been rising from March 2016, the range of US$45—US$48 pbl, at end-June 2016, is still below the oil price projection used in the 2016 Budget. Secondly, the defects in the turret bearing of the FPSO Kwame Nkrumah adversely affected crude oil and gas production for the first half of 2016. Thirdly, despite the repairs made to the broken West Africa Gas Pipeline, increased rebel and pirate activities continue to adversely affect the supply of gas to Ghana. This has a negative impact on power supply and, consequently, full recovery of the economy.

17. These developments and, in general, the sluggish commodity prices, will have implications for executing the 2016 Budget. In particular, for the second year running, the Government is compelled to come to

the House to revise the allocations made to the Annual Budget Funding Amount (ABFA). On a more positive note, however, ***the FPSO Prof. Atta Mills*** docked in April 2016 to signal another significant step in our well laid-out plan to change course for the future.

18. Mr. Speaker, we have reminded MDAs and MMDAs already that the Supplementary Estimates will not result in automatic increases in budget allocation and expenditures. We will continue our focus on completing pipeline projects in all sectors; call for continuing prudence in spending; meet our obligations to contractors and suppliers; and realign our statutory funds to achieve our social intervention policies.

19. Rt. Hon. Speaker, against this background, I have come to this House to request for Supplementary Estimates of **GH¢1,888,203,387**, in accordance with Article 179 (8) of the 1992 Constitution and Standing Order 143 of this House.

SECTION TWO: ECONOMIC PERFORMANCE IN 2015 AND 2016

20. Mr. Speaker, we wish to update the House with the macroeconomic performance at the end of 2015 since the 2016 Budget that was read in November 2015 was based on end-September 2015 performance and projection to end-year. For the second time, the Government has produced and published the 2015 Budget Performance Report on its website to provide this information in detail.

21. Also, this speech is a Summary and I entreat the Hansard Department to take account of the full version of the Statement before the House.

Macro-economic Performance

22. *The end-2015 results and developments to May 2016 show that the policies of the Government are on track and are gradually yielding the desired results.*

23. ***GDP Growth:*** As noted, GDP or national output grew by 3.9 percent at end-2015 and by 4.9 percent for Quarter 1 of 2016—better than the 3.5 percent projection for 2015 and 4.1 percent in Quarter 1 of 2015. For Quarter 1 of 2016, Industry declined by 1.1 percent, against a growth rate of 7.2 percent in the same period in 2015. This is mainly due to the challenges relating to the supply of gas and crude oil from FPSO and the West Africa gas pipeline. However, the Agriculture Sector grew by 2.8 percent while the Services Sector

grew by 8.8 percent. These show improvements over the 1.7 and 5.2 percent, respectively, for the same period in 2015.

24. ***Inflation:*** Inflation pressures remained high in 2015, ending the year at 17.7 percent. It remains elevated in 2016 due to the continuing pass-through effects of the adjustments in utility prices and, to a lesser extent, petroleum prices.

Monetary and External Sector Developments

25. ***Money and Capital Markets:*** The Bank of Ghana (BOG) has maintained the Monetary Policy Rate (MPR) at 26 percent since November 2015—against mixed trends in the money market. The 91 day Treasury Bill rate declined from 25.2 percent in December 2015 to 23.2 percent in April 2016 while the 182-day rate rose from 24.4 percent to 24.6 percent over the same period.

26. ***Exchange Rate Developments:*** The Cedi recovered much of its lost value against the US dollar between January and April 2016—on account of tight monetary policy and improved foreign currency flows. The cumulative rate of depreciation slowed to 0.02 percent and 2.7 percent against the US dollar and the Euro, respectively. However, it appreciated by 1.6 percent against the Pound Sterling. These compare favourably with cumulative depreciation rates of 16.9 percent, 16.3 percent and 9.2 percent against the Dollar, Euro and Pound Sterling, respectively, for the same period in 2015.

27. ***External Sector Developments:*** On average, the volatilities in global commodity prices has had adverse consequences on the economy. The deficit in the provisional trade balance from January to April 2016 was US$972.78 million, compared to US$542.71 million for the same period in 2015. Gross Foreign Assets (GFA) increased by US$66.26 million, from US$5,884.74 million to US$5,950.99 million at the end of December 2015. This was sufficient to cover 3.3 months of imports as at end-April 2016, compared to 3.4 months at the end of December 2015.

Fiscal Performance

28. ***Total revenues:*** Tax revenues amounted to GH¢10.3 billion and were 6.4 percent below the budget target of GH¢11.0 billion. However, grants have been broadly on target, with a negative deviation of 0.1 percent. The shortfall in tax revenue is mainly due to the decline in commodity prices, notably crude oil prices.

29. ***Oil revenues:*** Owing to low production from the FPSO, there was only one crude oil lifting by Ghana by May 2016 although there were flows from an additional lifting made in December 2016. The lifting proceeds from the 1.90 million barrels amounted to US$66.23 million. Additional petroleum revenues (from corporate tax, surface rentals, gas receipts, etc.) amounted to GH¢20.92 million—compared to a half year target of US$484.79 million in the Budget.

30. In line with the decision taken by Parliament under the PRMA, US$22.77 million of the amount was allocated to GNPC as Equity Financing Cost while the balance of US$64.38 million was transferred as ABFA (70 percent) and to the Ghana Petroleum Funds (30 percent).

31. ***Expenditures:*** Total expenditures, including arrears, amounted to GH¢17.6 billion against a target of GH¢18.4 billion. Interest payments remain subdued, reflecting lower borrowing costs than anticipated. In general, expenditures are being contained to take account of the likely shortfalls in oil revenues but there were slight overruns of GH¢182.6 million on the wage bill.

32. ***Budget or Fiscal Deficit:*** Mr. Speaker, the provisional data for January to May 2016 indicates that the cash fiscal deficit was 2.5 percent of GDP against a 2.2 percent. This performance compares to a budget deficit of 2.2 percent of GDP during the same period in 2015.

33. *The practical meaning of the annual declining deficits is that Government is living within its means. Therefore, is borrowing less from the banks and capital markets and putting less pressure on interest rates. This also makes more credit or loans available to the private sector to reduce the cost of doing business and contributing better to growth in national output.*

34. ***Financing and BOG zero-financing:*** Domestic financing of the deficit (including non-resident participation in our local bonds) amounted to GH¢4.3 billion while foreign financing resulted in net repayment of GH¢128.9 million. *It is important to note that this is the first time in our country's history that financing of the budget deficit, approved by this august House, is not benefitting from any credits or overdrafts from the Bank of Ghana to date.*

35. Our ability to cope without BOG financing coincides with a major policy shift in fiscal management: the exploration of alternative sources of mobilizing funds, including the first-time use of the Ghana Stock Exchange (GSE) to sell, refinance and buy GOG 3-year and 5-year Bonds. This is gradually replacing the traditional use of BOG auctions—which we continue to use for Treasury and other short-term bills.

36. Mr. Speaker this august House has also been assessing these financing policies and other vital PFM issues under two Bills before the House: the consolidated PFM Bill and the Bank of Ghana (Amendment) Bill.

37. ***Public Debt Performance (January-May 2016)***: Rt. Hon. Speaker, as noted, the fast pace of accumulating public debt, since the declaration of HIPC, has started to slow down. The provisional data to end-May 2016 shows that Public Debt has decreased from

about 72 percent of GDP at the end of 2015 to about 63 percent at the end of May 2016. The total comprises 26 percent domestic debt and 37 percent foreign—a mix that also shows the need for judicious balance between these two sources of raising funds for development.

38. Mr. Speaker, let's be clear on the progress we are making. This is the first time in our post-HIPC era that we have slowed the rate of growth of accumulating public debt—as measured by the internationally-accepted Debt/GDP ratio. Moreover, we have achieved this feat against the background of enormous economic pressures, which resulted in the growth of GDP (the denominator in the ratio) actually dipping for four successive years.

39. The point we are making is that, regardless of challenges that are often beyond our control, we keep transforming the economy through superior strategies and programs.

40. Despite these improving and, in many cases, impressive performances, we are not about to be complacent. The public debt-to-GDP ratio will continue to vary, in line with factors such as new loans, disbursements, value of the Cedi, and growth of Output or GDP. However, our focus is clear: to make our debt ratio sustainable and consistent with our B ratings in capital markets. We will continue with our "smart" borrowing programs, in particular, to increase infrastructure development.

41. The Government's New Debt Management Strategy include

- escrow and self-financing programs (in particular, making our commercially viable projects pay for loans and putting them on public debt);
- restraint on annual borrowing through prudent quotas (notably, when GDP growth declines or becomes sluggish);
- amortization to minimize the "bullet" loans in our debt stock;
- more active domestic and external capital market engagements (e.g., to extend the tenor of loans; and use of the Sinking Fund to pay both principal and interest; and
- improving the "buy back" policy we launched for marketable public debt instruments—to redeem our debt over the term of some loans, when they trade favourably on the capital markets.

42. *In particular, we are improving the debt and treasury functions to make the public debt sustainable.* In the last two Bond issues, we achieved long tenors or maturity periods of 12 and 15 years respectively, thus stretching our maturity profile to 2030. This provides us with a unique opportunity to implement these programmes and we must not fail to do so.

43. Another goal is to make guarantees mean what they say: as "contingent liabilities" and not events that increase our public debt automatically. These are relatively more advanced forms of "smart" borrowing approach—not "intoxicating" methods—that advanced and *middle income economies use to simultaneously borrow and pursue infrastructure development.*

44. Mr. Speaker, therefore, in the medium term, the plan of Government remains focused on managing the public debt at the lowest cost and at prudent levels of risk. The plans include conducting and publishing Debt Sustainability Analysis (DSA) and revising the Medium Term Debt Strategy (MTDS) to guide borrowing. The proposals from these reports are what inform our debt policy decisions, which are leading to a reduction in the debt burden. We must keep at it, beyond the focus on oscillations that arise from factors such as exchange rate depreciation.

SECTION THREE: STATUS OF IMPLEMENTATION OF KEY POLICY INITIATIVES

45. Mr. Speaker, not too long ago, our economy was confronted with major structural and macroeconomic imbalances caused by domestic and external shocks. While some of these were the result of failed policy choices, the situation was exacerbated by factors we could not control, in particular, the near collapse of commodity prices (for us, minerals, cocoa, and crude oil) on the international market. We also had the prolonged disruption in power supply.

46. We have been implementing several broad policy initiatives to address the imbalances; deal with the challenge of financing our development in more sustainable ways; and consolidating our middle income country (MIC) status—as progress towards a brighter medium term.

47. Mr. Speaker, their specific objectives include the following:

- as part of the package of measures that we need to effect structural corrections under the ongoing Home Grown and IMF Programmes;
- the need to confront severe unexpected setbacks such as the disruption in gas supply, which resulted in the longest outage of a major source of fuel and power supply to the economy; and

- the strengthening of existing, and setting up of new, institutions to prepare the country for the transformation programmes we need to consolidate our MIC status.

48. The specific initiatives include promoting fiscal discipline through prudent public expenditure and cash management, improving debt management, deepening the financial sector, and strengthening the Public Financial Management (PFM) system.

49. We have made significant progress in implementing these ***transformational initiatives*** that continue to ***change lives*** enormously in all sectors. Mr. Speaker, permit me to provide an update to the House.

Ghana Infrastructure Investment Fund (GIIF)

50. The Ghana Infrastructure Investment Fund (GIIF) was established with the passage of the GIIF Act (Act 877), 2014—as an instrument for long term financing and development of commercial projects, in particular. Hence, GIIF is expected to mobilize and provide financial resources to manage, coordinate, and invest in a diversified portfolio projects. The Board and Advisory Council are established, while the Management and Staff are being put in place.

51. While the pace of boosting the Fund was affected by the fall in commodity prices, GIIF is poised to deliver on its mandate—a Sovereign Wealth Fund (SWF), with a key role in the nation's long-

term transformation agenda. In the shorter term, GIIF will invest in projects such as fuel-tanks—as part of our strategic crude oil and petroleum products management while reviewing various commercial infrastructure proposals.

Public Private Partnership (PPP)

52. Mr. Speaker, the PPP Bill is before this august House and its passage will facilitate the creation of a framework for PPPs, enhance the delivery of PPP projects, and boost the confidence of private sector entities to patronize our PPP projects. The implementation of PPP policy as an alternative source of financing development is expected to curtail the need to borrow to finance the infrastructure deficit.

53. Currently, a number of PPP projects from various sectors are at different stages of preparation and twelve (12) of them are expected to reach financial close in the short-to-medium term. For instance, the Ghana Ports and Harbours Authority (GPHA) has received Expression of Interest from twelve (12) firms for the Dry Dock Terminal under the Takoradi Port Expansion project. The Accra Metropolitan Assembly (AMA) has also launched Request for Proposals (RFP) for projects that include the redevelopment of markets; a car park; and a convention centre.

National Infrastructure Plan (NIP)

54. Mr. Speaker, to place Ghana on the path of long-term transformation and national development, the National Development Planning Commission (NDPC) is preparing the National Infrastructure Plan (NIP). When completed, it will outline the Government's vision and strategic direction for infrastructure development, including the investment principles and priorities over the next 30 years. The NIP is expected to deliver economic, social, and environmental benefits to the country through the production of a defined investment framework. The preparation of the plan is programmed to be completed by the end of the year 2016.

Financial Sector Initiatives

55. Mr. Speaker, we are on course to deepen the financial system through key initiatives that were launched in the past three years.

56. ***Ghana Export-Import (EXIM) Bank:*** Mr. Speaker, this august House passed the Ghana Export-Import (EXIM) Bank Act (Act 911), 2016—in line with the plans announced in the 2015 Budget Statement and Economic Policy. Ghana's EXIM Bank is expected to promote a more diversified and export-led economy, to make us more competitive in global marketplace. *Mr. Speaker, H.E. President John Mahama inaugurated the Board for the Bank on Wednesday, July 20, 2016. We expect the Board to prove His Excellency right on this transformational vision and policy for the nation*.

57. The Ghana EXIM Bank is a ***development bank*** with a trade focus and, therefore, its main target is a private sector that is expected to benefit from the Bank's credit and guarantee programmes. Further, in conjunction with institutions such as the Standards Authority, Food and Drugs Authority, and Export Promotion Authority, the Bank will also assist exporters promote their products and services and meet the rigorous export standards in the international market-place.

58. The House will recall that the transitional arrangements in Act 911 include integration of the three institutions into the Ghana EXIM Bank's operations. These are the former Export Trade, Agricultural and Industrial Fund (EDAIF), Exim Guaranty Company Limited, and the Export Finance Company Limited.

59. ***Capital Market Development:*** Mr. Speaker, the Government has been successfully shifting the issuing, refinancing, and redemption of our medium term Bonds (e.g., 3-year/5-year Bonds) to the Ghana Stock Exchange (GSE). Since its launch in November 2015, Government has successfully issued 4 medium term bonds, each of them oversubscribed, at relatively more competitive coupon rates on the Exchange.

60. Under this initiative, the Ministry introduced the more competitive "Book Building" approach in allocating issuances to potential investors. This process is similar to what is used for the Eurobond on

the International Capital Market. The essence is to ensure a more active engagement between Government and its Book Runners or Advisers as well as large institutional investors such as pension funds, insurance companies, and mutual funds.

61. The advanced and middle-income countries rely on these fund managers to raise long-term funds for the capital budgets and many infrastructure projects. Indeed, we are assessing the use of the GSE to issue Corporate Bonds to support the ongoing energy-sector SOE debt restructuring program.

62. ***Ghana Fixed Income Market (GFIM):*** Additionally, as part of measures to enhance secondary-trading of all fixed income securities, Government assisted in the establishment of the Ghana Fixed Income Market (GFIM). The goal is to ensure greater efficiency, better and competitive pricing, increased liquidity, and greater transparency in the securities market. We envisage that GFIM will be ideal for supporting the Government's "buy-back" program for public debt instruments. The GFIM is currently operational and its Governing Committee is exercising its oversight responsibility for the secondary trading of fixed income securities.

63. ***Ghana Deposit Protection Scheme:*** The Ghana Deposit Protection Act seeks to establish a Deposit Protection Scheme to protect small depositors from losses incurred from the occurrence of

currently uninsured events. It will definitely result in the development of a sound and stable financial system in Ghana by boosting investor confidence. Mr. Speaker, we are grateful to the House for passing this Bill last month (June 2016) to enable Bank of Ghana establish a Deposit Protection Fund and Deposit Protection Corporation to manage the Scheme for the country.

64. ***Non-Bank Financial Institutions Program***: Mr. Speaker in recent times, non-bank financial institutions and, in particular, Micro-Finance institutions have come under intense public scrutiny. Often, they operate schemes that erode the deposit base of micro-finance, rural and community banks, by offering customers very high and unsustainable interests rates on deposits. The practice adversely affects Government's financial inclusion programs and soundness of the financial system.

65. Measures are being taken to clamp down on the activities of unauthorized financial institutions, as well as those that have failed to follow licensing requirements. Besides the Bill in Parliament to regulate the practice, Government plans to set up an Apex Institution ensure better supervision of the operations in the non-bank financial institutions sector—including programs for large non-bank institutions.

66. ***Unclaimed Assets Scheme:*** The Unclaimed Asset Scheme Program to be launched soon is a program for managing assets or funds that

are presumed to be “abandoned” or “stranded” and remain “unclaimed” by their owners. The unclaimed funds include balances on lost or dormant accounts with banks and other deposit-taking institutions; dividends; bond interest and redemption proceeds; insurance premium; pension entitlements etc.

67. Under the program, these funds will be transferred into an independent fund and managed effectively till they are “united” with their rightful owners. As practiced in many advanced and middle-income countries, the Unclaimed Assets Law will establish an Authority which will proactively take measures to manage these assets and proactively locate beneficiaries or next-of-kin for these funds.

68. In May 2016, Cabinet approved a Concept Note and Action Plan for the establishment of the Scheme. A Taskforce was constituted and has consulted several stakeholders, resulting in a draft Unclaimed Assets Bill. Currently the Bill is with the Attorney General’s Department for final drafting. In due course, it will be submitted to Cabinet and, subsequently, laid before Parliament.

DEBT MANAGEMENT STRATEGIES

69. Mr. Speaker, we have come to the end of the HIPC era when, as a result of the debt relief we got from bilateral and multilateral sources, we were able to borrow significant amounts for our nation's development. Moreover, our MIC status also mean that we will gradually lose the benefit of grants and concessional borrowing and move to what are variously called "hybrid", "harder" or "market" terms in borrowing for our development.

70. As noted, we have been changing course successful under a Debt Management Policy that enables us borrow modest amounts; improve on recoveries (especially from commercial projects); slow down and reverse the rate of growth of our borrowing and debt stock; and yet invest in unprecedented infrastructure projects. The status of some of these new debt management strategies are as follows:

71. ***On-lending and Escrow Arrangement:*** Mr. Speaker, the policy of on-lending and escrow initiatives is to ensure that State-Owned Enterprises (SOEs) and entities (including MDA/MMDAs) that engage in commercial projects should use the proceeds from these projects pay for borrowed or guaranteed loans that will be "on-lent" to them.

72. The purpose is to forestall the situation where these loans or guarantees increase the public debt and Government has to use taxpayer funds accruing to the budget to service these SOE and

project debt. Through continuous engagement with SOEs, Government has signed 28 on-lent agreements with SOEs and other entities to recover the full or partial amount of the loans borrowed on their behalf.

73. ***Sovereign Guarantees and Partial Risk Guarantee:*** Mr. Speaker, as part of efforts to ensure that SOEs, Joint Ventures and other Special Purpose Vehicles (SPVs) continue to borrow on the strength of their own balance sheet, Government is moving away from issued "unfettered" sovereign guarantees to a project-backed financing and guarantee approach.

74. We are also "de-risking" or minimizing the fiscal risk to Government by using the Put-and-Call Option Agreements (PCOAs) to replace the call for Government Consent and Security Agreement (GCSA). Finally, Government is scrutinizing the terms and conditions in Power Purchase Agreements (PPAs) to achieve the same goal.

75. ***Interest Rate and Commodity Price Hedges:*** Mr. Speaker, to mitigate any potential risks arising from fluctuations in the LIBOR and other floating rates on our debt books, Government is taking measures to hedge interest rate through swap arrangements to allow for predictability of debt service. The Ministry is currently reviewing proposals from international hedging counterparties. This policy move will complement the existing commodity price hedge programme.

76. ***Sinking Fund and "Buy-Back" Policy:*** Mr. Speaker, we recall that the House approved the setting up of a Sinking Fund in 2015, from funds above the cap on the PRMA's Stabilization Fund. The purpose of the Fund is to periodically redeem our external and domestic debt, especially current bullet loans. As at April 2016, an amount of about US$100.0 million had accumulated in the Sinking Fund.

77. Under our Eurobond "buy-back" program (repurchase of outstanding bonds under favourable market conditions), Government has used a portion of the Sinking Fund proceeds to redeem US$30.0 million of the Sovereign Bond issued in 2007, incrementally from the markets. We are left with about US$500.0 million to redeem by October 2017 and we propose the following:

- Raise funds from Capital markets, if favourable, and use part redeem the Bond, as stated in the 2016 Budget;
- dedicate the balance of the Sinking Fund, as buffer, in a Program to redeem the Bond, if markets are not favourable;
- further, boost the buffer by using part of the US$233.5 million of the remaining balance of the 2015 Bond proceeds (which is wholly dedicated for refinancing our debt); and
- increasing the buffer even more by reviewing the cap on the Stabilization Fund to US$100.0 million to enhance the flows into the Sinking Fund.

78. In line with proposals approved by this House, the excess amount over the Cap will be transferred into the Sinking Fund and Contingency Fund, with a portion remaining to increase Stabilization

Fund. Our short-term target is the 2017 Bond but the medium term focus is to use the Sinking Fund to manage all our domestic and external Bonds and not to wait for them to mature before we seek to refinance them.

79. *Sovereign Bond Advisers' Mandate:* Given the risk posed by a likely unsuccessful roll-over or buy-back of the 2007 Bond—and further by follow up events in 2017 (Budget presentation), after the elections—the Ministry of Finance has recommended the extension of the 2016 Bond issuance advisers to 2017. This will make our engagement with markets continuous to the end of 2017 and assure investors of our commitment to the markets, despite political events in the country.

80. *On the domestic debt instruments* front, as at end-June 2016, an amount of US$257.26 million (GH¢986.1 million) of the 2015 Eurobond was used to pay down (repurchase) our short term domestic debt instruments. This is part of the plan to restructure domestic debt, by extending the maturity profile to allow for a more realistic buy-back and "bullet" debt reduction program. Already, the plan has seen yields on short term domestic debt instruments declining since October 2015.

81. Mr. Speaker, the lesson for the nation is obvious: we must give full support to the Government's Sinking Fund, "Buy-Back", Debt Service Reserve, and Amortization (principal plus interest) policies to avoid the situation where we face significant "roll-over" risks in the future.

This is a heathier way of financing development over a sustainably long time on the capital markets—which is the practice in Middle-Income and Advanced countries. Accordingly, the FAA's Sinking Fund provisions are being enhanced in the proposed PFM Bill that is currently before this House.

82. ***Refinancing of Energy Sector SOE Debt:*** Mr. Speaker, Government achieved another debt restructuring goal by assisting VRA and TOR management to engage major commercial banks to improve the terms for part of the debt on the Authority's Balance Sheet. It also involved the first use of the Energy Sector Levy Act 2015 (Act 899) passed by this House to make the energy and banking sectors more stable—and, further, as we move more confidently into the gas era (especially under the OCTP Agreement).

83. The plan involved the restructuring and repayment of about GH¢2.2 billion over 3-to-5 years, with an upfront payment of GH¢250 million from the levies. Other features of the deal include the following:

- reduction of interest rate on the domestic component of the VRA debt from average 30 percent to 22 percent (below the current MP and TB rates);
- reduction of the interest rate on the foreign component from average 11 percent to 8.5 percent;
- ring-fencing the legacy debt and repayment flows from two (2) Escrow Accounts—Energy Sector Levy Act 2015 (Act 899); and Debt Service Reserve (DSR)—into a Debt Service (DS) account;

- flows of all or part of VRA's receivables (currently used to service the restructured debt) into the DS account to boost the repayment of principal and interest;
- placing a limit on new loans and credits by VRA, without the express permission of the Ministry of Power and Finance; and
- conversion of the levies used to liquid the Authority's debt into on-lent or Equity funds on VRA's Balance Sheet.

84. *The model will be used to restructure the remaining VRA debt, wholly or partially, as well as those of other energy-sector SOEs—including loans contracted from foreign sources. Also savings of about US$350 million are expected, from the improved terms, over the maturity period of the new facility. Furthermore, the deal is expected to re-open the credit lines to enable VRA establish Letters of Credit (L/Cs) again to support its imports of light crude and other items—in particular, for its Thermal and other plants. Hence, this will contribute substantially to the ongoing resolution of nation's power problems*.

REVENUE MOBILIZATION AND ADMINISTRATION

85. Mr. Speaker, we have made significant progress in revenue mobilization and administration. At the same time the tax effort continues to be constrained by a number of factors including the high tax exemptions regime, collection leakages, low compliance, inadequate taxpayer information, and weak linkages among public agencies. Mr. Speaker, in our effort to address these challenges,

Government introduced a number of tax policy initiatives that include the following:

86. ***Review of Tax Laws:*** Mr. Speaker, the following tax laws have been significantly improved, rationalized and harmonized: a) Value Added Tax Act 2013 (Act 870); b) Customs Act 2015 (Act 891); Excise Duty Act 2014 (Act 878); Excise Tax Stamp Act 2013 (Act 873); and Income Tax Act 2015 (Act 896). We are grateful to the House for the success of these enactments—of laws that were too old for effective tax administration and compliance. Indeed, the Regulations for the Value Added Tax Act, the Excise Duty Act and the Income Tax Act have been laid in this House, while the Customs Regulations will be laid soon.

87. ***Revenue Administration Bill***: Mr. Speaker, the administrative provisions that existed separately in each of the old tax laws have also been harmonized into a single Revenue Administration Bill. This forms part of the efforts at integration, notably between the previous VAT and Internal Revenue Services, as well as improve tax administration and compliance. We are grateful to this August House for passing the Bill which is being prepared for Presidential Assent.

88. ***National Single Window (NSW):*** Mr. Speaker, the National Single Window Project was introduced in September 2015 to (a) reduce the time and cost of Customs clearance and, in general, that of doing

business in the country; (b) put all customs operations notably classification, valuation and inspection under the GRA; and (c) improve Government revenues through the harmonization and simplification of international trade processes and procedures.

89. Mr. Speaker, the success of the first phase has greatly facilitated information flow by simplifying and integrating processes among different agencies. Importers who submit compliant information receive their Customs Classification Verification Reports within 48 hours and in some cases within 2 ho, compared to average two weeks in the past.

90. The second phase comprises need and gap analysis as well as development of blue print for the implementation of the Ghana National Single Window (GNSW). It was launched in December 2015 and has also been completed. The third phase involves the roll out of the blue print and will focus on the integration and interfacing of all services related to customs clearance. A GNSW Strategic Plan has also been launched to guide implementation and is expected to reduce the cost of doing business in the economy.

91. **Common External Tariff**: As part of measures to promote free trade and ensure greater economic integration within the ECOWAS region, the CET Law was passed by this august House in December last year and became effective in February 2016. Hence Ghana joins

eight (8) ECOWAS countries in implementing the CET. The expectation is that CET will help address problems with cross-border smuggling, combat dumping, and bring economic benefits to the sub-region. The Ministry and GRA management continue to monitor implementation of the CET to ensure sensitive sectors are not disadvantaged.

Review of Tax Exemptions

92. Mr. Speaker, despite the important role of tax incentives in creating an enabling investment climate, the existing system, which average around 2 percent of GDP, is fraught with abuses and denies Government of revenues. Measures being implemented to reduce the adverse impact of exemptions include: (a) limiting the use of 'permits' to clear goods from our ports; (b) improving coordination between MoF and GIPC, which involve further review of laws; (c) Reviewing the free zones regime following recent amendments; (d) revalidating existing exemption documents; and (f) improving VAT Refund and warehousing processes, including use of electronic processes.

EXPENDITURE MANAGEMENT

93. Mr. Speaker, in addition to the focus on domestic resource mobilization, Government has started implementing several public expenditure initiatives and reforms to address significant and unsustainable budget overruns. They are related to the Single Spine

Pay Policy (SSPP) and other anomalies in payroll; non-wage arrears; interest payments; and subsidies on petroleum products and utilities. The other Public Financial Management (PFM) or Ghana Integrated Financial Management Information System (GIFMIS) reforms include the launch of an electronic Human Resource Management Information System (HRMIS) and streamlining of the government's financial accounting and budget processes.

94. ***GIFMIS (Budget and Accounting Reforms):*** Government launched its ambitious PFM reforms to manage the budget estimates and actual expenditures more efficiently. Some key elements include:

- adoption of a new Chart of Accounts (COA) or coding structure for all revenues, expenditures, assets and liabilities (with work starting on organizational, sector and functional codes) in line with the Government Financial Statistics (GFS);
- implementation of electronic modules for the budget and financial accounting systems, comprising receipts, payments as well as assets and liability accounts that include accounts payable and receivables; and
- revamp of cash management, payroll, and HRMIS systems for the agencies and institutions on the nation budget (discussed further below).

95. Some benefits of the GIFMIS system are that the Ministry of Finance has eliminated the use of "paper releases" in processing *expenditures; it is in the process of establishing electronic controls to prevent MDA/MMDAs from exceeding their budget allocations; and CAGD is now able to validate payroll electronically at the management unit to prevent fraud such as inserting "ghost names" for processing.*

96. **Improvements in the Cash Management System**: Government has introduced a set of cash management plans to keep and utilize public resources more efficiently and to yield positive returns. The measures being implemented so far include.

- ***Treasury Single Account (TSA):*** Mr. Speaker, the TSA commenced in 2013 and it aim to consolidate and optimize the use of public sector cash resources. The aim is to pool and manage all Government accounts in ALL banks—that constitute the Consolidated and, where relevant, other public funds—into one account. It will prevent these funds remaining dormant or idle while Government borrows (sometimes its own funds) to finance the budget. So far, about 11,500 bank accounts have been identified, out of which, 5,500 were at BoG while 6,000 were at commercial banks. Out of the number at the BoG, 3,160 were closed and 700 have been set up under the GIFMIS. Work is currently ongoing to streamline the remaining 1,640 at the BoG and those at the commercial banks.

- ***Investment of public funds:*** Mr. Speaker, another useful benefit of the pooling of public funds is that it allows the Minister of Finance to invest these funds in a manner required by the Financial Administration Act and Regulations as well as other specific laws. Since this initiative was launched, we have earned the following interest on some specific funds: Petroleum Levies …; GIIF … (paid into the Fund to protect its value); ….

- ***B-Tracking System:*** The goal of this program is to create an electronic view and transactions room to monitor the movement of Funds among and with MDAs and MMDAS. A Bank [or B] Tracking platform has been developed and, so far, a total of 7,405 Government bank accounts with commercial banks have been uploaded onto the Bank Account Tracking System.

- ***e-Travel and e-Fuel Card:*** Mr. Speaker, the planning to introduce an electronic travel (e-Travel) and fuel (e-Fuel) card is completed and will be deployed to MDAs/MMDAs from August 2016. The e-Travel card will make travelling more efficient through loading travel advances for official travel on debit and credit cards. This will eliminate the risk of carrying bulk cash as well as improve record keeping for imprests. The e-Fuel Card is currently being piloted with MoF and CAGD official vehicles. When fully rolled-out to all MDAs and MMDAs, it will help ensure effective administration and management of fuel allocation to Government officials.

97. **Improvements in Public Sector Compensation:** Mr. Speaker, we have been implementing several measures to make management of Compensation, comprising wages and salaries, allowances and pensions more efficient. This is important because the amount paid to public servants and retirees is the largest of our budget expenditures. The measures include the following:

- ***Completion of SSPP migration:*** We have completed the migration of public institutions on the budget onto the Single Spine Pay Policy. It also constituted one major source of budget overruns and imbalance. We have paid GH¢ … in budget overruns and arrears; and we are gradually bringing the salary-to-tax revenues as well as salaries-to-GDP to manageable proportions: from 53.3 percent in 2012 to 40.2 percent and, from 8.9 in 2012 to 7.0 percent, respectively. The lesson is to make such pilots work in future and avoid the fiscal risk that confronted the nation from 2008 to 2015.

- ***Payroll Upgrade and ESPV:*** The incidence of 'ghost' workers had characterized payroll management resulting in the loss of millions of Cedis to the economy. To deal with this challenge, an Electronic Salary Payment Voucher (ESPV) was deployed in all the 10 Regions of Ghana. Between June 2014 and May 2016 a total of 12,800 separated staff whose salaries amounted to GH¢ 21 Million had been deleted from the payroll through the system. The ESPV system has become the main validation system through which salaries of public servants are approved and processed before payment.

- ***Categories 2 & 3 Allowances:*** Government has finalized negotiations of Categories 2 & 3 Allowances to streamline and bring fairness in the administration of allowances in the public sector. The Ministry of Finance has issued a Circular to all MDAs and MMDAs to comply. The special allowances under consideration are the Book and Research and Market Premium allowances.

- ***Migration of Subvented Agencies' onto Mechanized/ IPPD Payroll:*** Mr. Speaker, to ensure better control over the public sector workforce and the wage bill as well as ensure a qualitative public accounts, Government initiated the migration of employees of subvented organizations onto the existing mechanized payroll database.

  The purpose is better management of the public sector payroll, not control of human resources in these agencies. Four out of 19 subvented organizations were migrated as at the end of 2015 and plans are far-advanced to interface or integrate the payroll modules and processes for the remaining 15 with the IPPD.

- ***Deployment of the Third Party Reference System (TPRS):*** Mr. Speaker the electronic Third party Reference System was deployed to eliminate the backlog in processing third party transactions. It is also to prevent and control fraud and errors that characterized the manual system.

- ***Head count of CAP 30 pensioners:*** Mr. Speaker, the first phase of the headcount of the CAP 30 Pensioners, covering the Greater Accra, Eastern, Volta, Central and Western Regions is expected to be completed by the end of July 2016. The exercise will result in cleaning up the pension payroll and ensure that only eligible pensioners enjoy benefits.

- ***Deployment of staff payroll verification ID cards:*** An operational manual and implementation plan have been developed to facilitate the introduction of staff payroll verification ID cards. CAGD is coordinating the pilot for this plan and full implementation is scheduled for the fourth quarter of the 2016 fiscal year. The ID cards will be used to validate employee's existence periodically and will constitute another useful step in eliminating ghost workers.

- ***Payroll Cleaning exercise:*** Earlier, CAGD undertook a Payroll clean-up exercise by updating SSF and bank account numbers of employees on the payroll database. The clean-up exercise also included economic and financial assurance. The exercises resulted in the elimination of over 6,500 unauthorized employees from the payroll.

98. Alignment of Statutory Fund Expenditures and Weaning-off Subvented Agencies: Government's plan to realign expenditures to the Statutory Funds and Internally-Generated Funds (IGFs) in the 2016 budget remains on course. Some expenditure items which are in line with the objectives for setting up the statutory funds have been offloaded to the Funds. Government will continue to engage the fund and, in the next few years, streamline the policy for the consideration of Cabinet and Parliament.

99. Similarly, to gradually reduce the dependence of some subvented organizations on GOG, the Driver and Vehicle Licensing Authority (DVLA); Environmental Protection Agency; Energy Commission; Data Protection Commission; Gaming Commission; and Securities and Exchange Commission are being gradually weaned-off Government subvention. Given the progress made Government will now focus on weaning-off the remaining 6 agencies, as planned for 2016.

SECTION FOUR: SECTORAL PERFORMANCE

100. Mr. Speaker, our economy is transitioning from a low-income to middle-income country (MIC) status since the rebasing exercise in 2010 and impact of crude oil exports in 2011. This transition phase brings to the fore paradoxes especially in the area of infrastructure financing. Our MIC status will gradually restrict us to mainly commercial borrowing options, even for non-commercial projects.

101. However, we still require grants and concessional loans to improve our social infrastructure (E.g. Education, Health and rural roads), in particular, to ensure inclusive growth. Therefore, we must remain focused on our innovative borrowing plans and strengthen institutions such as GIIF, Ghana EXIM Bank and the PPP model. The purpose is to mobilize equity and loanable funds in a sustainable way for both public and private sector development.

102. Mr. Speaker, we have shown that this strategy is feasible, given the continuing fast pace of infrastructure development against the background of tapering debt levels, lower deficits, and external shocks to the economy. Permit me to present progress made so far on some of projects in some key sectors of our economy—*they put people first and they are changing lives in many communities.*

HEALTH SECTOR

103. Mr. Speaker, we have made the most far-reaching investments in modern health facilities at all levels. The following major hospital projects have reached the corresponding levels of completion:

- The 617-bed University of Ghana Teaching Hospital—95 percent complete and training of staff is currently ongoing.
- The 500-bed Military Hospital at Afari—60 percent complete.
- The 420-bed Ridge Hospital—90 percent complete.
- Second phase of Tamale Teaching Hospital—20 percent complete.
- Expansion of Upper East Regional Hospital into a 386-bed facility—80 percent complete.
- The Dodowa District Hospital has been completed and is currently receiving patients; work on the Fomena, Kumawu, and Abetifi District hospitals are 60 percent, 55 percent and 30 percent complete, respectively.

104. Progress of work on the 8 District Hospital is as follows;

Project Title	**Level (%) of Completion**
250-Bed Regional Hospital, Kumasi-Sewua	29
60-Bed District Hospital, Salaga	50
60-Bed District Hospital, Tepa	65
60-Bed District Hospital, Nsawkaw	64
60-Bed District Hospital, Twifo Praso	15
60-Bed District Hospital, Konongo-Odumasi	26
100-Bed Municipal Hospital, Atomic-Accra	19

105. A total of ***1,642 CHPS compounds*** have been constructed across the country. The investments in these CHPS compounds have led to major gains in health issues like maternal mortality, infant and child mortality and institutional malaria mortality. Another 1,600 CHPS compound projects are at various stages of implementation.

106. Mr. Speaker, in the spirit of ensuring efficient service delivery, Government will pilot the newly constructed University of Ghana and Ridge Hospitals as Centres of Excellence by allowing them to run on self-sustaining basis, with active private sector participation. This arrangement will also ease the pressure on the Government budget while allowing the facility to serve the needs of a training institution.

Education

107. Mr. Speaker, in fulfilment of the promise to construct 200 Community Day Senior High Schools, 123 new Senior High Schools are being constructed across the country. Many have reached advanced levels of completion, whiles some have been completed. His Excellency, the President has commissioned nine (9) of such new schools in the Central, Western, Volta, Ashanti, Brong Ahafo and Eastern Regions.

108. Each school has a 4-Storey structure comprising 24-Unit Classrooms, a Library, an Assembly Hall, Offices, 4 Laboratories and Washroom Facilities. Twenty-three of them being funded by the World Bank have additional facilities such as, Headmasters' Bungalow, Canteen Block, 4-storey 8-Unit Teachers' Flat and a Gate House.

109. Consistent with the 1992 Constitution our commitment to make secondary education accessible, especially to needy students, the Government initiated the implementation of progressively free secondary education in the first term of the 2015/16 academic year with 320,488 day students, in public senior high schools across the country. The programme is to be expanded to cover 120,000 targeted boarding students in the 2016/17 academic year.

110. Mr. Speaker, Government continues to implement measures to support the development of high quality middle level technical and vocational skills needed in the economy. Some of the measures

include the award scholarships to 1,520 students in Polytechnics and Technical Institutes who are pursuing science related courses, award of bursaries to 2,000 apprentices in the informal sector, and training of over 800 Master Craftspersons in Competency-Based Training (CBT) instruction methods. Three hundred Science resource centres have been re-equipped while over 30,000 mathematics, Science and ICT teachers are being retrained.

111. Modern school infrastructure including workshops, dormitories, staff accommodation, administration blocks and lecture theatres are being provided in Ada, Akwatia, Amankwakrom, Asuansi, Bolga, Kpando, Nkoranza, Dabokpa, Wa, and Krobea Asante Technical Inistitutes as well as the Takoradi and Accra Polytechnics under the Development of Skills for Industry Project (DSIP).

112. **Five Hundred vehicles** consisting of 300 buses and 200 Pick-Ups were distributed to educational institutions across the country. Priority was given to technical and Vocational Institutions, Special schools, New District education directorates, New Community Day Senior high Schools and less endowed Senior high schools, all Polytechnics, Public Colleges od Education and some selected universities (both public and private) also benefited from the distribution.

113. Mr. Speaker, the University for Environment and Sustainable Development Bill has been passed by this august House. We will soon

commence actual construction works in Somanya and other proposed sites to give the Eastern Region its first public university. This is in fulfilment of our vision to provide at least one public university in all 10 Regions of Ghana.

114. Government remains committed to converting all polytechnics into technical universities with special focus on applied science, engineering and vocational education. The Technical University Bill is currently before this house. Government will invest in equipment, infrastructure and staff development to meet globally accepted benchmarks.

115. All tertiary institutions including universities and colleges of education are witnessing tremendous expansion in facilities such as the University of Ghana teaching hospital, auditoriums, lecture theatres, staff accommodation, laboratory and libraries.

Agriculture

116. Government continues to implement the fertilizer subsidy program to ensure food security and, so far. 90,000 metric tonnes have been distributed to farmers. Work on a number of irrigation projects are progressing steadily. Over 231 hectres have been irrigated in Uasi (Upper East), Atidzive Ayiteykope (Volta), Kpoglu (Aka Basin, Volta), Kornorkle (Eastern), Silibelle (Upper West), Piyiri (Upper West), Doba

(Upper West), Zakpalsi (Eastern), sapke, Keyeme (Volta), and Ohawu (Volta).

117. Other projects include the construction of Greenhouse training centre, Talli Dam (Tolon Kumbumgu) district N/R, Longga Dam, Sandema Koori dam, Tanchira Irrigation Dam, Goriga Irrigation Dam, Guo Irrigation Dam (Upper West Region), Gbedima Irrigation Dam, Yeriyili Irrigation Dam, Aditrage and Kornokle Irrigation Dam.

118. Mr. Speaker in the fisheries sub-sector, major initiatives to provide the necessary landing sites, fishing harbours, and cold stores and ice plants in selected fishing communities are at various stages of completion. The initiatives include:

- Artisanal Cold Chain Network - 6 cold stores and 6 Cold Vans
- Turnkey Fish Processing Plant at Elmina
- Fisheries College at Anomabo
- West Africa Regional Fisheries Project (WARFP)
- Areas Beyond National Jurisdiction (ABNJ) Tuna Project
- Sustainable Aquaculture Systems
- The Flagship Shrimp Farming Project
- The Fisheries Promotion Project in Sekondi

119. Six (6) cold stores and refrigerated vans have been provided to Half Assini, Kromantsen, New Takoradi, Nyanyano, Prampram and Shama.

Social Development/Protection Programme

120. Mr. Speaker, in pursuit of our commitment to reduce vulnerabilities and social and economic exclusion, the Livelihood Empowerment Against Poverty (LEAP) currently covers 188 districts. As at June 2016, the beneficiaries have reached 147,094 households.

121. Data collection using electronic tablets was completed in 58 districts and 125,987 households were enumerated—out of which 50,000 Households will be ranked and added to the register by 31st July 2016, bringing the beneficiaries for the September 2016 payment to 197,094.

122. Mr. Speaker from August, 2016 a total of 55,000 households are targeted to be added to the programme from 41 additional districts, to bring the number of households under the programme to the projected 250,000 by December 2016.

Road and Bridge Construction Programme

123. Mr. Speaker, progress continues to be made on major and minor road projects. Activities undertaken include rehabilitation, reconstruction, construction and upgrading of roads and bridges. The projects are at various stages of completion as at May 2016. The details of the progress made on some of the projects are as follows:

NO.	PROJECT	2015	MAY 2016
1	Ayamfuri – Asawinso	80%	88%
2	Dodo Pepesu Nkwanta	98%	100%
3	Tarkwa Bogoso-Ayamfuri	81%	94%
4	Agona Junction – Elubo	94%	99.5%
5	Anyaa Pokuase Road Project	96%	98.9%
6	Burma Camp Road 1	87%	93%
7	Giffard Road	97%	99.85%
8	Elmina Bridge	85%	92.8%
9	Kwame Nkrumah Interchange Phase 2	45%	89%
10	Kasoa Interchange and Ancillary works	-	32%
11	Rehabilitation of Teshie Link	-	55%
12	Construction of Nima Drain	-	89%

124. It is worth noting that works on a number of other road projects—in particular, the flagship Cocoa Roads projects—are at advanced stages of completion.

Water Resources, Works and Housing

125. Over the last few years we have made significant investments in the provision of potable water for our people. Major successes have been achieved and national water coverage is expected to reach 85 percent by the close of this year. A total of 77.5 million gallons of

water was been added to the water stock between 2009 and 2015 following the completion of a number of major water projects.

126. This year work is expected to be completed on the following to bring total water capacity added to 110 million gallons per day;

- Kumawu, Konongo and Kwahu Water Projects are about 95 percent complete; and
- Wa Water Project is about 80.67 percent complete

127. There is good progress on Rural Water projects where a total of 1,099 of the target 1,200 boreholes have been drilled in Central, Western, Northern, Upper East and Upper West Regions. Of this number, 688 have been installed with hand-pumps. Twenty-five out of the 52 Small Towns Water Systems have been completed. Mr Speaker this would mean water provision for an additional 7 million Ghanaians living in about 2,000 communities.

128. In the housing sector, direct Government investment as well as partnership with—or sole initiatives by—the private sector have resulted in considerable additions to public housing. The major public housing projects being undertaken include;

- 5000 unit Saglemi Housing project the first 1,500 units of which are about 80% complete;
- 5000 unit Nyamedua Estate—a PPP between with a private developer. The first phase has almost been completed;

- 836 unit Keta Sea Defence housing project out of which 616 have been completed and occupied;
- 368 unit Security Agencies housing project at Tema New Town, following completion of 168 unit at Tema Community 3 last year;
- the SSNIT housing projects at Klagon, Sakumono and Dunkunah will provide about 1,000 housing units by the end of the year.

129. In addition, the housing units at Borteyman, handed over to the Social Security and National Insurance Trust (SSNIT), is 95 percent complete. Other such SSNIT projects in the Greater Accra, Ashanti, Northern, Upper West and Eastern Regions are at various stages of completion.

PETROLEUM AND POWER SECTORS

130. Mr. Speaker, the petroleum sector is being integrated into the economy and contributes about 7 percent per to GDP. Oil revenues contribute about 3 percent of total revenue and 1.0 percent to GDP. Among others, significant progress has been made on the following projects:

- **TEN and SGN Project**s: Mr. Speaker, the two new fields, namely, the Tweneboa-Enyenra-Ntomme (TEN) and the Sankofa-Gye-Nyame (SGN) fields are at various stages of development. *I am happy to report that, the first oil is expected* *from the TEN field in August this year, while the SGN field is scheduled to start operation in 2017.*

- **Atuabo Gas Processing plant:** Mr. Speaker, the Western Corridor Gas Infrastructure Project (Atuabo Gas Processing plant) was commissioned in 2015 and is now delivering about 80 mmscf of gas/day for thermal plants at Aboadze as well as evacuating 400 metric tons of LPG a day to the domestic market.

131. Mr. Speaker, not too long ago, the country experienced shortages in power supply and extended periods of load-shedding, popularly called '*Dumsor*'. We recall that President Mahama repeatedly assured Ghanaians of his government's determination to **fix rather than manage the situation**. *Consequently, under the able leadership of The President, the power sector benefited significantly from massive investments over the past few years, which resulted in substantial addition to the country's generation capacity*.

132. In delivering on this promise, the government has added the following projects, which were at various stages of completion, to the national grid: Kpone Thermal Power Project (KTPP): 220MW; TICO Expansion Project: 110MW; First half of the Asogli Phase 2 Project: 180MW; BXC Solar Plant: 20MW; Karpowership: 225MW; and AMERI Plant: 250MW. Others include AKSA: 370MW; TEI: 110MW; Karpower II: 250MW; Second half of the Asogli Phase 2: 180MW; and

CenPower: 350MW. In this regard, this will bring total installed capacity to 5,105MW.

133. In essence, Mr. Speaker, the country's existing installed capacity and continuing injection from new power plants is enough to meet current demand. Mr. Speaker in the last four years, 2,861 communities have been connected to the national grid. This has pushed access to electricity in Ghana from 80.5% to 82.34% between 2015 and June 2016. This is the highest in West Africa, second only to South Africa in Sub-Saharan Africa.

134. *Despite these major investments, however, we are not out of the woods yet due to challenges of fuel security. The current power sector bottlenecks emanate from the turret bearing challenges on the FPSO Kwame Nkrumah and the vandalism to the West African Gas Pipeline in Nigeria*. These incidents have reduced the amount of gas supplied to power plants which run mainly on gas.

135. *Mr. Speaker, we are explaining, not complaining Typically, we meet challenges whenever they occur—a feature of determined governments.* Hence, in a bid to ease the current challenges, Government is delivering about 400,000 barrels of light crude oil to feed and add to the stock for our dual-fuel plants, while planning to resolve the gas supply bottlenecks.

136. In the near-to-medium term, the commencement of commercial operations of the TEN Project in August 2016 and OCTP Project in 2017 will boost the supply of gas in the power sector. First gas for TEN and OCTP are expected in 2017 and 2018, respectively—and, already the nation is over-subscribed with respect to the number of Independent Power Producers (IPPs) desiring to use our gas to generate power.

137. Also, we need to improve financial and operational management in the energy sector, particularly, in electricity processing and distribution. We have already spoken about the use of the Levies under the ESLA 2015 (Act 899), to restructure VRA's debt, which already underway. The improvements in operations is the essence of the proposed restructuring in the electricity sub-sector under the second Compact of the Millennium Challenge Account (MCA Compact 2). The grant of US$498.2 million and Government contribution are dedicated to strengthening and make the sector self-sufficient, particularly, the electricity distribution sector.

138. **Subsidy and Liberalization Policy:** Mr. Speaker, the introduction of the deregulation of the Ghana downstream petroleum market in 2005, as part of reforms to the Energy sector, was far-reaching but failed to cover the pricing of petroleum products. The automatic pricing adjustment formula that was used was plagued with flaws leading to Government incurring an average of US$402.5 million per annum on under-recoveries as subsidies and US$250.0 million on

FOREX losses. By the first half of 2015, it became obvious that the price regulation regime was unsustainable and posed a huge drain on the nation's fiscal and economic resources.

139. Mr. Speaker, Government, therefore, did not have a choice but to comprehensively reform and restructure the downstream sector to make it more robust and resilient and improve the sector's contribution to national development.

140. In this regard, Government took a bold decision to deregulate ex-pump fuel prices and allow prices of oil to be determined by market forces. It decided to remove the "subsidy cover", absolving Government of huge debts created by the petroleum sector. The end of fuel subsidies appears to have triggered a more efficient petroleum system as a result of the price competition emanating from the repositioned and restructured BOST and subsequently the Tema Oil Refinery.

141. Mr. Speaker, the deregulation policy so far has been positive but its sustainability depends on our continuous ability to have a major stake in the supply chain. Government will continue to monitor the situation and implement the appropriate policies to mitigate risks associated with fuel price hikes on the international market.

Job Creation / Youth Employment Initiative

142. Government has over the medium term embarked on a number of projects to create more jobs for Ghanaians. The massive investments in the energy, health, education and roads sectors, among others are pointers to the number of jobs that have been created along with the implementation of those projects. The President recently commissioned the Komenda Sugar Factory to help create employment and has also inaugurated the Elmina Fish processing factories that would create numerous job opportunities.

143. The several infrastructure projects discussed as well as completion of projects such as Atuabo Gas Processing Plant, the Kumasi Shoe Factory and the Accra Business Process Outsourcing Center are expanding the scope for job creation for thousands of Ghanaians.

144. Government has issued financial clearance warrants for recruiting 2,500 mathematics and science teachers and 1,018 teaching staff for the Tertiary institutions. These numbers are well within the limits established for the education sector in 2016. These teachers will soon receive their appointment letters in good time for the commencement of the 2016/2017 academic year. This will add up to the number of people being employed in the public services.

145. Mr. Speaker, in our effort to target the youth and provide them with decent jobs, The National Employment Policy was launched and Parliament also passed the Youth Employment Act, 2015 (Act 887)

and its accompanying Regulations. Towards the implementation of the Act, in the 2016 Budget, Government undertook to engage 100,000 youth in productive sectors of the economy.

146. Mr. Speaker, so far about 40,000 out of the number have been engaged in productive activities in six sectors of the economy, namely: Security Services; Community Teaching Assistant; Community Health Assistant; Youth in Afforestation; Youth in Apparel; and Sanitation modules.

147. Mr. Speaker, the registration of applicants for skills development is also ongoing. In this regard, Government is partnering with the Management Development and Productivity Institute (MDPI) to provide training to the youth in key vocational skills. Mr. Speaker, so far, 115 out of 1000 registered physically challenged persons have been engaged in gainful employment.

148. While measurement of job creation has focused heavily on the public sector, the private sector creates more jobs and its potential also increases with positive trends in the economy. Government will continue to support the private sector in this endeavour. According to the 2014 Integrated Business Establishment Survey (IBES) published by GSS in September 2015, 207,492 jobs were created in 2014. The private sector alone accounted for 182,856 jobs representing 88 percent. For the first time, survey covered all three sectors of the

economy—agriculture, industry and services. Government will continue to support the GSS to carry out its mandate of providing adequate and reliable data necessary for socio-economic development.

INTERNATIONAL COOPERATION

149. Mr. Speaker, Government continues to formulate and implement the country�much foreign policy to ensure that Ghana establishes and sustains goodwill among the comity of Nations. Under the able leadership of President John Mahama, Ghana plays a pivotal role in promoting sub-regional and continental harmony and champions the resolution of crisis in the sub-region. Ghana has also been in the forefront for sustainable solutions to the challenges confronting international peace, stability, security and socio-economic development.

150. The global community is aware of Ghana's recent roles in Côte d'Ivoire, Mali, Guinea (Bissau), Sierra Leone, Liberia and Equatorial Guinea. In recognition of his leadership, the President's peers elected him as Chairman of ECOWAS in 2014 and his mandate was extended. At the 47th ECOWAS Summit in Accra at which President Mahama ended his term, he was given a standing ovation while a citation read in his honour described him as a leader deeply rooted in the advancement of the ECOWAS and who was leaving a worthy legacy.

151. Mr. Speaker, it is also gratifying to note that, His Excellency John Mahama has been appointed a Co-Chair of a group of sixteen

eminent Sustainable Development Goals (SDGs) Advocates, to support the Secretary-General in his efforts to generate momentum and commitment to achieve the SDGs by 2030. This is a reflection of confidence and conviction the UN has in Ghana to lead the world and member states in particular in the attainment of the SDGs.

152. These achievements have no doubt contributed to deepening and diversifying relations with our immediate neighbours, as well as strengthening our relations with key bilateral and multilateral partners.

UPDATE ON THE IMF PROGRAMME

153. Mr. Speaker, Ghana's economic programme with the International Monetary Fund (IMF) is in its second year of implementation since the IMF Executive Board approved the 3-year Extended Credit Facility (ECF) Programme in April 2015. The Programme objective of restoring fiscal discipline, debt sustainability and macroeconomic stability, monetary policy, and rebuilding external buffers are consistent with the government's own Home-Grown policies that are integrated in Budget Statements and overviews. They establish our ownership of the Program.

154. Mr. Speaker, in addition to the first tranche of US$114.6 million Balance of Payments support that was disbursed after the approval of

the Programme in April 2015, Ghana has so far had additional US$229.5 million resulting from the two successful reviews in September, 2015 and January, 2016.

155. Mr. Speaker, the third review Mission to assess performance under the 3-year ECF Programme was in held in May, 2016. As noted by the Mission in their concluding statement, implementation of the ECF programme, notwithstanding the headwinds from low commodity prices, remains broadly satisfactory with most of end-December 2015 performance criteria met.

156. The IMF Board is expected to approve the review by end-August, 2016 ***after additional prior actions set by the IMF are satisfied***, including the passage of the new Public Financial Management Bill and the Bank of Ghana Amendment Act currently before this august House. ***Mr. Speaker, while Honourable Members may be aware of the House's procedures, permit me to use this opportunity to inform the public that the House has not yet taken any decisions on the provisions or clauses in these Bills*.**

157. Mr. Speaker, significant progress has been made in executing the other prior actions and, in general, Parliament has been very instrumental and supportive in supporting the Program in diverse ways.

SECTION FIVE: REVISED 2016 MACROECONOMIC TARGETS, FISCAL FRAMEWORK AND REQUEST FOR SUPPLEMENTARY BUDGET

158. Mr. Speaker, since the approval of the 2016 Budget Statement and Economic Policy in December 2015, there have been a number of developments on the global and domestic economic environment. As noted earlier, and summarized below, these have affected some of the assumptions underpinning the 2016 Budget.

- Crude oil prices fell to US$28.0 per barrel in January 2016 but the recovery of about US$46 in July, 2016 and annual projections to date fall below the US$53 per barrel used in the Budget.
- We also highlighted defects in the turret bearing of the FPSO Nkrumah adversely affected petroleum production in most of the first half of 2016.
- On the other hand, some energy sector levies could have a positive impact on the allied flows that pass through the budget.

159. Mr. Speaker, using the methodology prescribed in the PRMA, 2011 (Act 815), the Benchmark Revenue Price for the 2016 was estimated at US$86.02 per barrel. However, the Minister for Finance, with approval of Parliament, revised the Benchmark Price to US$53.05 per

barrel—based on market conditions at the time as well as IMF and other Brent-source projections.

160. Based on this revised price of US$53.05 per barrel and quantity of 38.73 million barrels used for the 2016 Budget, the estimated total petroleum receipts is GH¢2.0 billion. Of this amount, GH¢1.0 billion was allocated to ABFA to finance specific projects and programmes in the Budget; about GH¢432.5 million was to be transferred into the Ghana Petroleum Funds; and GH¢567.0 million to the National Oil Company.

161. Mr. Speaker, the crude oil prices is estimated to average a wide range of US$40 and US$52 per barrel for 2016, lower than the average of US$53.05. These developments will obviously have negative implications for the 2016 Budget execution, particularly the ABFA allocation in the Budget.

162. Mr. Speaker, on the authority of H.E. John Mahama and consistent with Section 7, sub-sections 2 and 3 of the Petroleum Revenue Management (Amendment) Act, 2015 (Act 893) as well as the ESLA, I would like to recommend to this august House, a revision to the Benchmark Revenue and its associated expenditures outlined in the 2016 Budget. The purpose is to ensure the achievement of our macroeconomic objectives, in line with Government's policy of prudent budget and fiscal management.

163. Mr. Speaker, based on prevailing market conditions and projections in the IMF's World Economic Outlook, the Ministry has adopted an average crude oil price of US$45.35 per barrel for 2016. Of the revised estimates for total petroleum receipts, GH¢524.5 million (0.3 percent of GDP) will be transferred to the National Oil Company, GH¢262.9 million (0.2 percent of GDP) to the Ghana Petroleum Funds and GH¢613.5 million (0.4 percent of GDP), as ABFA for specific projects and programmes in the Budget. The amount estimated for ABFA is about 39.2 percent lower than the GH¢1.0 billion estimated in the 2016 Budget.

Revisions to the Fiscal Framework

164. Mr. Speaker, as a result of the revisions made to the Benchmark oil revenue and the fiscal performance for the first five months of the year, the 2016 revenue and expenditure estimates have been revised to reflect these developments.

165. ***Revisions to Total Revenue and Grants:*** Mr. Speaker, based on the crude oil price assumption of US$45.35 per barrel and revised oil output of 34.7 million barrels, total petroleum receipts for 2016 is now estimated at GH¢1.4 billion (0.8 percent of GDP), compared with the 2016 Budget estimate of GH¢2.0 billion (1.3 percent of GDP). The difference of GH¢600.0 million is about 32 percent lower than the 2016 Budget target.

166. Based on tax revenue performance in 2015 and the first five months of 2016, non-oil tax revenue is estimated to be lower than what the 2016 Budget projected. It is worth noting that estimates for some tax types such as Value Added Taxes and International Trade Taxes were revised upwards.

167. Mr. Speaker, you may recall that in December 2015, this august House passed the Energy Sector Levies Act, 2015 (ACT 899). Hence, the revenues from the levies and corresponding expenditures were not in the 2016 Budget estimates. To ensure transparency and accountability for the proceeds from the levies, the associated projected revenues—that traditionally go through the Consolidated Fund—and spending, have been included in the revised fiscal framework.

168. Mr. Speaker, in 2016, total revenue to be generated from the Road Fund Levy, Energy Fund Levy, the Price Stabilisation and Recovery Levy, Public Lighting Levy and National Electrification Levy as a result of the implementation of the Energy Sector Levies Act (ESLA) is estimated at GH¢1,092.7 million. Mr. Speaker, as a result of the revisions these receipts, total revenue and grants for the 2016 fiscal year have been revised downwards by GH¢148.7 million, from GH¢38,038.1 million (24.0 percent of GDP) to GH¢37,889.3 million (22.7 percent of GDP).

169. ***Revisions to Expenditures:*** Mr. Speaker, total expenditure and arrears clearance have been revised downwards, from GH¢46,445.7 million (29.3 percent of GDP) to GH¢46,297.0 million (27.8 percent of GDP) mainly on account of lower spending from oil revenues.

170. Mr. Speaker, as a result of the downward revision made to oil revenue estimates and in line with Section 4 of the Petroleum Revenue Management (Amendment) Act, 2015 (Act 893), the Annual Budget Funding Amount estimates in the 2016 Budget have been revised downwards. Consequently, Goods and Services have been revised downwards by GH¢409.9 million from GH¢2,536.8 million to GH¢2,126.9 million. Likewise domestic-financed capital expenditure has also been revised downwards by GH¢177.7million from GH¢1,783.2 million to GH¢1,605.5 million.

171. Due to the lower estimated revenue from oil and in accordance with the Petroleum Revenue Management Act (Act 815), transfers to GNPC from the oil revenue have been revised downwards from GH¢567.0 million to GH¢524.5 million.

172. Foreign-financed capital expenditure have been revised downwards from GH¢4,893.7 million to GH¢4,787.5 million on account of a change in the exchange rate assumption for the Budget.

173. On the other hand, transfers to the Ghana Education Trust Fund (GETFund) have been revised upwards by GH¢60.6 million to

GH¢1,082.1 million on account of higher estimates for VAT revenue collection.

174. Transfers to the Road Fund is estimated to increase by GH¢784.3 million, from GH¢277.5 million to GH¢1,061.8 million on account of the increase in the Road Fund Levy as indicated in the ESLA (Act 899).

175. ***Revised Overall Budget Balance and Financing:*** Mr. Speaker, on the basis of the revised revenue and estimates, the revised 2016 budget will result in an overall budget deficit of GH¢8,407.7 million (5.0 percent of GDP) same as the deficit of GH¢8,407.7 million (5.3 percent of GDP) in the original 2016 Budget. This will ensure that the pace of public debt accumulation remains as envisaged in the 2016 Budget and in line with our debt sustainability objectives.

176. The revised budget deficit will be financed from foreign and domestic sources. Foreign financing of the deficit is estimated at GH¢2,237.0 million, 34.2 percent lower than the amount of net foreign financing projected in the 2016 Budget. The lower net foreign financing is mainly on account of Government's plan to buy back the Ghana 2017 Bond in 2016 to avert the possible refinancing risk in 2017. It is, however, important to note that the country expects to receive additional programme loan of US$75 million from the World Bank and

increased financing of about US$208 million from the IMF for Budget Support.

177. Net domestic financing of the 2016 fiscal deficit is now estimated at GH¢6,406.3 million, 17.7 percent higher than the projected amount of GH¢5,441.2 million in the 2016 Budget.

178. Mr. Speaker, the revisions to the fiscal framework will result in a requirement of an appropriation of GH¢51,998,055,121 against an amount of GH¢50,109,851,734 appropriated in the 2016 Budget.

179. ***Request for Approval of Supplementary Estimates:*** Mr. Speaker, as mentioned earlier on in this presentation, the aim of this Supplementary Estimate is to seek Parliamentary approval to commit additional resources outlined in this report to fund additional expenditures resulting from the revisions made to the 2016 Budget. In this regards, we are requesting approval for a total amount of GH¢1,888,203,387 as Supplementary Expenditures for the 2016 financial year.

SECTION SIX: CONCLUSION

180. Right Honourable Speaker, we have made progress in addressing the economic challenges and we are poised to enter a brighter medium term era. We have remained focused despite the turbulent waters as is evidenced in the significant progress that has been made in all the bold initiatives we took.

181. Mr. Speaker, I beg to move that this august House approves the 2016 Supplementary Estimates of GH¢1,888,203,387 in accordance with Article 179 (8) of the Constitution and Standing Order 143 of this House.

182. The Appropriation Bill covering these Supplementary Estimates will be submitted to this august House in accordance with Article 179 (9) of the Constitution of the Republic of Ghana and Standing Order 144 of Parliament.

183. Mr. Speaker, I wish to assure this august House and the general public that we remain committed to our resolve to resist budget overruns, often associated with elections, and managing the public debt towards ensuring debt sustainability. We are determined to sustain fiscal discipline while investing prudently in infrastructure and social development.

184. Mr. Speaker, we are on course through the Transformation Agenda to building a better Ghana for all. We trust that in this endeavour we can count on the support of all. God Bless Us All, God Bless Our Homeland Ghana.

185. Rt. Hon. Speaker, I so move.