



REPUBLIC OF GHANA

STATEMENT

of

THE MID-YEAR REVIEW

of the

BUDGET STATEMENT AND ECONOMIC POLICY

and

SUPPLEMENTARY ESTIMATES

of the

GOVERNMENT OF GHANA

for the

2015 FINANCIAL YEAR

presented to

PARLIAMENT

on

TUESDAY, 21ST JULY, 2015

by

SETH E. TERKPER
MINISTER FOR FINANCE

on the Authority of

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

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SECTION ONE: INTRODUCTION

1. Right Honourable Speaker and distinguished members of Parliament, on the authority of His Excellency, President John Dramani Mahama, and in accordance with Article 179 (8) of the 1992 Constitution, I stand before this august House, to present a Mid-Year Review and revised macroeconomic targets as well as seek approval for Supplementary Estimates for the 2015 fiscal year. These revised estimates have been necessitated by domestic and longstanding global developments discussed in this statement.
2. Mr. Speaker, before I proceed, on behalf of His Excellency, President John Dramani Mahama, I wish to express our profound appreciation to this august House and to Members for your cooperation and continuing support in the management of the economy.
3. Mr. Speaker, the aim of this year's Mid-Year Review and Supplementary Estimates is to:
 - update Honourable Members on the performance of the economy in 2014 and for the first five months of 2015;
 - revise the macroeconomic targets and fiscal framework set in the 2015 budget estimates based on current information;
 - request for approval for Supplementary Estimates for 2015; and
 - provide an update on major new Government initiatives
4. Mr. Speaker, this presentation is an abridged version of the 2015 Mid-Year Review and Supplementary Estimates and I would like to request the Hansard Department to capture the entire document.
5. Mr. Speaker, on Thursday, 12th March, 2015, I appeared before this House to provide information and apprise the people of Ghana through elected representatives on the implications of the decline in crude oil prices and its impact on the 2015 Budget, especially on the Annual Budget Funding Amount (ABFA).
6. In that Statement, I also outlined steps Government had taken (and others it planned to take) to address the expected shortfall in revenues, to ensure that the macroeconomic objectives of Government are achieved.
7. Mr. Speaker, our fiscal consolidation programme, as at the end of May 2015, remained on course. These are the result of relatively good tax and non-tax

revenue performance, as well as containment of the overruns on subsidies, the wage bill and other spending.

8. Furthermore, Mr. Speaker, the provisional GDP numbers released by the Ghana Statistical Service indicates that the economy grew by 4.7 percent in the first quarter of 2015, compared with a lower growth of 3.8 percent in the first quarter of 2014 and 4.0 percent at the end of that year.
9. Mr. Speaker, it is obvious that, despite the net adverse impact of the fall in crude oil prices (and earlier gold and cocoa prices as well as major disruption in gas supply), the positive trend in performance of the economy is beginning to show. I am glad to note that our decision to enter into the IMF programme for Balance of Payments support to build on the progress in the implementation of government's Home Grown Policies is beginning to yield dividends. Nonetheless, we will not be complacent at this stage.
10. It will be recalled that following the successful conclusion of negotiations on April 4, 2015, the Board of Directors of the IMF approved a 3-year Extended Credit Facility (ECF) Programme for Ghana, based on concrete prior actions we were able to meet. The overall purpose of the programme is to achieve fiscal consolidation for sustained macroeconomic stability as prelude into a robust growth era.
11. Mr. Speaker, permit me to share with you progress made so far on the IMF Programme. Ghana received an amount of US\$114.75 million immediately after the Board's approval. This was the first tranche of the total amount of US\$918 million expected to be disbursed in eight equal instalments over the 3-year period as balance of payments support. The remaining seven (7) disbursements will be made after the observance of the performance criteria and completion of reviews under the Programme. Following the anticipated approval by its Board, we expect the release of the second tranche by the IMF soon.
12. Mr. Speaker, given that these disbursements are performance-based, it is refreshing to note that at the conclusion of the first review of the Programme in June, the IMF Mission was satisfied that the Programme is on track. All the performance criteria were met except for the ceiling on central bank financing to the government, which was technically missed by a small margin. The Government is keenly observing this particular programme benchmark given its implications for the overall financing levels that have been recorded this year.

13. Mr. Speaker, the bold measures we have taken since 2013 have restored confidence in the economy resulting in the gradual and envisaged improvements in revenue performance and foreign exchange inflows. The sources of these foreign exchange inflows include budget support from our development partners, especially the World Bank, European Union and the African Development Bank. The renewed confidence and inflows are important for the stability of the Cedi. It is expected to remain relatively stable given further inflows such as the second tranche of the IMF support; additional development partner inflows; the Eurobond issue; and proceeds from the cocoa syndicated loan. Other more gradual flows expected from crude oil, gold and other exports will also boost reserves and contribute to the stabilisation of the Cedi.
14. Mr. Speaker, we will not adopt a passive approach to issues relating to the value of the currency. We will continue to focus on this subject matter with short term as well as structural measures, as is characteristic of our transformational approach. Our short term measures will focus on:
 - intensifying reporting and monitoring of foreign exchange inflows, retention and use under our laws and agreements to ensure compliance and provide better information to the markets;
 - enhancing monitoring of foreign exchange transactions, including speculative activities;
 - continuing with Bank of Ghana SWAP and futures arrangements as well as more even utilization of its reserves; and
 - rationalizing MDA/MMDA imports.
15. The more structural export-led measures discussed later in the presentation include:
 - provision of credit and guarantee to exporters through the EXIM Bank;
 - provision of export incentives through GIPC; and
 - facilitation of the development and promotion of Ghanaian exports by the private sector through Ghana Export Promotion Authority.
16. Mr. Speaker, government announced a number of initiatives during the presentation of the 2015 Budget Statement and Economic Policy relating to key strategic areas such as tax policy; expenditure rationalization; debt management; structural measures; export-led development strategy including the EXIM Bank initiative; management of Internally Generated Funds and Statutory Funds; as well as measures to improve the power, industry, agriculture and infrastructure sectors.

17. Mr. Speaker, permit me, to mention some sterling performance recorded in the first half of the year which gives hope for the bright short-to-medium term prospects for the nation.
18. Mr. Speaker, I mentioned in the 2015 Budget Statement that government was poised to usher the country into the gas era and Phase II of crude oil production.
19. I am pleased to inform you that the Tweneboa-Enyenra Ntomme Fields Development is 57 percent complete. The project is on course to meet the deadline in gas supply and is expected to bring on stream additional gas and crude oil supplies in the second half of 2016.
20. Work on the Western Corridor Gas Infrastructure project is completed. However, some ancillary works are still ongoing. This will improve power output and the prospect for power exports. Currently, the Atuabo Gas Processing plant is delivering 80mmscf of gas/day for Thermal plants at Aboadze as well as 400 metric tons of LPG a day to the domestic market.
21. Mr. Speaker, Ghana took another major step towards the attainment of energy and power security with the signing of an agreement for the development of the natural gas reserves of the Offshore Cape Three Points (OCTP). The Sankofa Gas Field project will provide 170 million cubic feet of gas per day for nearly 15 years, and will be sufficient to supply close to an additional 1,000MW of power generation. The Sankofa Gas field will come on line in 2018, when gas from other fields are expected to decline.
22. In this regard, the World Bank is expected to provide a US\$700 million Partial Risk Guarantee support to leverage the substantially larger gas payment flows and facilitate an investment of up to US\$7.9 billion by the private sector. A World Bank Board approval is expected in the coming weeks for this major breakthrough in investment management in Sub-Saharan Africa.
23. Mr. Speaker, as you may recall, this august House amended the Petroleum Revenue Management Law, to, among others, modify the benchmark revenue rules and ensure judicious implementation of the Law to meet our investment, debt management, savings and budget support initiatives. Among the benefits is more regular flows into the Petroleum Funds that will enhance the operation of the Contingency and Sinking Funds.

24. In the Budget Statement for 2015, approval was sought to raise the cap on the GSF in the first quarter of 2015 to US\$300 million with the excess amount over the cap to be treated as follows:
 - 50 percent will be paid into the Sinking Fund to build up resources to repay specified debt obligations of the government;
 - 25 percent will be paid into the Contingency Fund, which was established in May 2014; and
 - the remaining 25 percent will be deposited back into the GSF.
25. With the downward revision of the expected oil revenue for 2015, resulting from the drastic decline in world oil prices, we propose to reduce the cap on the GSF to GH¢150 million for the rest of 2015. With the amendment of the PRMA, passed by this Honourable House, it is expected that resources will start flowing into the Ghana Petroleum Funds to enable us fund the Stabilization Fund itself, and the Sinking and Contingency Funds as envisaged in the 2015 Budget.
26. I am pleased to also inform you that with the recent amendments to the Petroleum Revenue Management Law and the passage of the Ghana Infrastructure Fund Law, progress is being made to fully operationalize the Ghana Infrastructure Investment Fund for the purposes of infrastructure development. We propose a mid-term policy to amend the GIIF Act to gradually establish the Guarantee Fund.
27. In addition, the Petroleum Price Liberalization policy has been approved by Cabinet to overhaul the pricing of petroleum products. Implementation of the policy has started and we expect that the full implementation of the deregulation of the petroleum downstream sector would promote competition among market players.
28. The goal is to tackle the issue of subsidies and foreign exchange loses which put a huge financial burden on government and contributed to the misalignment of budget expenditure items. This will result in the re-channeling of finances into other sectors of the economy including our social intervention programmes.
29. Mr. Speaker, further on the initiatives, the expenditure rationalization measures I outlined in my statement to this august House, mostly under the GIFMIS initiative, included containing the wage bill; realigning expenditures to statutory funds; installation of the Human Resource Management Information System (HRMIS) to facilitate management and reconciliation with the

mechanized payroll and establishment schedules; electronic payments; MDAs/MMDAs account monitoring; and commitment control.

30. I am happy to inform the House that good progress is being made on all the above mentioned initiatives and will be enhanced with the approval of a World Bank US\$45 million PFM Reform Facility. Other development partners have made commitments to support the effort. We look forward to the House approving the loan.
31. Mr. Speaker, a couple of weeks ago, Ghana went through one of the most unfortunate, tragic and difficult periods in the country's history. The sad twin disaster of flooding and fire that occurred on June 3rd led to the death of over one hundred and fifty Ghanaians and thousands more displaced and vulnerable.
32. There is currently a major on-going effort to mobilize and supply basic human needs like water, food, clothing, beddings, shelter and healthcare to the displaced. However, this tragic and unfortunate disaster was also a stark reminder of the very poor state in which some of our compatriots live and the urgent need to provide minimum Social Protection (SP) benefits to the thousands.
33. Recall His Excellency's visit to the Nsawam Prisons after participating in the Efiase Project. As he observed, it is another area of supreme humanitarian need that requires Government action. Every effort is being made by relevant MDAs to reprioritize expenditures to complement the promise of GH¢50 million assistance to enable us respond to these needs appropriately. Plans are also being put in place, including the alignment of IGFs and statutory funds to mitigate the risk of similar future disasters.
34. Mr. Speaker, we are presenting this Mid-Year Review and Supplementary Estimates to continue pursuing our transformation agenda; maintain the recent gains in our growth and macroeconomic stability agenda; and entrench our lower middle income status. The short-term and more structural elements are designed to manage issues such as higher foreign-financed capital expenditure due to the exchange rate effects; rising inflation; impact of gold and cocoa prices; revisions in the benchmark crude oil prices used in the PRMA; additional spending related to the recent flooding; and refinancing of existing debt stock.
35. Mr. Speaker, let me use this opportunity to remind MDAs and MMDAs that this Revision and Supplementary Estimates will not result in automatic increases in

expenditure across board. Further, they do not accommodate significant new expenditures that must be justified in budget context. Our prudent expenditure drive continues with additional expenditure allowed only when revenues increase. On the other hand, we are confident that as the economy rebounds, the expenditure envelope will increase in tandem with revenue. In the interim, focus will be on pipeline projects and MDA/MMDAs are not to incur unauthorized expenditures beyond their budgets and budget allotments.

36. Mr. Speaker, against this background, I have come to this House to request for Supplementary Estimates of **GH¢865,789,380.00** in accordance with Article 179 (8) of the 1992 Constitution and Standing Order 143 of this House.

SECTION TWO: MACROECONOMIC PERFORMANCE

37. Mr. Speaker, I now present the macroeconomic performance for the period 2014 to the first five months of 2015.

Macroeconomic Targets

38. Mr. Speaker, developments from January to May 2015, particularly fiscal performance, indicate that the Government policies and reform measures being implemented since 2013, are taking hold and yielding results. Fiscal performance has improved significantly but, until recently, the economy witnessed a sharp depreciation of the Cedi which partly contributed to the rising inflation.

39. The seasonal depreciation of the Cedi has begun to reverse in response to expected significant inflows and measures introduced by Government.

40. Some further details of macroeconomic performance for the period under review are highlighted below.

GDP Growth

41. Mr. Speaker, the GSS has revised the GDP methodology and this has marginally affected the nominal and real GDP figures from 2007 to 2014. Consequently, provisional growth of GDP in 2014 was 4 percent.

42. For the first quarter in 2015 compared with the first quarter in 2014, the provisional GDP numbers indicates that the economy grew by 4.7 percent, instead of negative growth rate of 3.8 percent.

43. Similarly, the Agriculture Sector grew by 7.4 percent, compared with a decline of 8.0 percent; Industry Sector grew by 0.9 percent, compared with negative 1.8 percent; and Services Sector grew by 4.7 percent, compared with negative 5.5 percent.

44. Mr. Speaker, it is gratifying to note that all these growth numbers are pointing to an upward trend – in line with our stabilisation-to-growth policy launched in 2013 under the Home Grown Policy.

Inflation

45. Mr. Speaker, inflation pressures remained high in 2014 ending the year at a rate of 17.0 percent. This was mainly driven by exchange rate pressures and increases in utility tariffs and transport costs.

46. Inflation, however, declined to 16.4 percent in January 2015 owing to declines in the rate of change in both the Food and Non-food Consumer Price Indices (CPIs). Therefore, inflation increased persistently to 16.6 percent in March and to 17.1 percent in June 2015. The rise in inflation was fuelled by further currency depreciation; fuel price adjustment, and other cost-push factors. We expect inflation to ease with the stabilization of the currency; current good rainfall pattern and distribution; as well as the improving economic performance.

Interest Rate Developments

47. Mr. Speaker, the Monetary Policy Committee of the Bank of Ghana raised the Monetary Policy Rate by a cumulative 5 percentage points from 16.0 percent in 2013 to 21.0 percent in 2014. This was broadly in line with the tight monetary policy of the Bank during the year to deal with the high inflation expectations and depreciation of the domestic currency.
48. In comparison, interest rates on the money market in the first five months of the year generally showed mixed performance. The Bank of Ghana Monetary Policy Rate rose from 21.00 percent in February to 22.00 percent in May 2015. The rate was maintained in July, reflecting confidence in monetary policy response to improved fiscal performance. The interest rates on the 91-day Treasury bills increased to 25.1 percent while 182-day Treasury bill remained unchanged at 25.90 percent during the review period.

Exchange Rate Developments

49. Mr. Speaker, during the period January-May, 2015, the Cedi was weak against major trading currencies as demand continued to outweigh supply. In the inter-bank market, the Cedi cumulatively depreciated by 19.95 percent, 18.44 percent, and 10.66 percent against the US dollar, the pound sterling and the euro, respectively.
50. Conditions were similar in the forex bureau market where the Cedi recorded cumulative depreciations of 19.79 percent, 19.10 percent and 10.10 percent against the US dollar, the pound sterling and the euro, respectively. However, the Cedi began to appreciate in July in response to expected significant inflows for the rest of the year and measures introduced to stabilize.

External Sector Developments

51. Mr. Speaker, the overall balance of payments improved significantly from a deficit of US\$874.2 million in 2013 to a deficit of US\$85.2 million. This was as a

result of improvements in the current account balance, which outweighed the decline in the capital and financial accounts.

52. Mr. Speaker, the current account balance recorded a deficit of US\$3.7 billion (9.2 percent of GDP) in 2014 compared with a deficit of US\$5.7 billion in 2013 (11.9 percent of GDP). This positive development was as a result of significant reductions in the trade deficit as well as improvements in the current transfers account.
53. For 2015, the value of merchandise exports for the first five months was provisionally estimated at US\$4.8 billion, indicating a decrease of US\$1.05 billion or 17.8 percent compared to a US\$5.9 billion recorded for the same period in 2014. The decreasing trend reflects the low receipts from gold and oil exports, the slump in commodity prices and, therefore, export earnings.
54. Total value of merchandise imports for the first five months of 2015 was US\$5.5 billion, down by 11.0 percent or US\$678.9 million in 2014. The decline in imports was the result of a slowdown in oil imports and fall in oil prices.
55. At the end of May 2015, the level of gross international reserves decreased by US\$1.9 billion to US\$3.5 billion, down from a stock position of US\$5.5 billion at the end of December 2014. This level of reserves is sufficient to provide cover for 2.3 months of imports compared to 2.7 and 3.0 months of imports cover as at May and December 2014, respectively. As noted, BOG's reserves is expected to improve with expected inflows and implementation of policy and operational measures during the second half of 2015 and 2016.

Fiscal Performance

56. Mr. Speaker, fiscal data for the 2014 fiscal year indicates that, both revenue and expenditure were below their respective targets for the period. However, with the shortfall in revenue exceeding that of expenditure, the resulting cash fiscal deficit was equivalent to 10.2 percent of GDP against the revised target of 8.8 percent.
57. Mr. Speaker, as you may recall, medium term fiscal objectives, the 2015 Budget aimed to reduce the fiscal deficit from 10.2 percent of GDP in 2014 to 6.5 percent of GDP in 2015. While the 2015 Budget continues to reinforce earlier policies of revenue enhancement, debt management, expenditure realignment, and rationalisation measures as well as reforms, we propose to revise this target to respond to the significant fall in crude oil prices.

58. Mr. Speaker, preliminary fiscal data for January to May 2015 indicate an over performance in revenue and grants while expenditures were below target for the period. This resulted in a cash fiscal deficit equivalent to 1.9 percent of GDP, against a target of 3.4 percent. This compares to a deficit of 3.7 percent of GDP for the same period in 2014.
59. Mr. Speaker, total revenue and grants for the period was GH¢12.1 billion, equivalent to 9.0 percent of GDP against a target of GH¢11.4 billion, equivalent to 8.5 percent of GDP. In nominal terms, the provisional outturn was 28.1 percent higher than the outturn for the same period in 2014.
60. The over performance in total revenue and grants was mainly due to a strong growth in domestic revenue driven mainly by good tax and non-tax revenue performance.
61. Mr. Speaker, oil revenue for the period under review amounted to GH¢782.4 million, 13.4 percent higher than the Budget target of GH¢690.2 million but 34.8 percent lower than the outturn for the same period in 2014, due to lower oil prices.
62. Grant disbursements from our development partners was GH¢325.1 million, 44.8 percent lower than the budget target and 3.0 percent higher than the outturn recorded during the same period in 2014. The lower than expected outturn of grants was due to the slow disbursement of project grants, which resulted in project implementation delays. As noted earlier, this situation has started to improve.

Expenditure

63. Mr. Speaker, total expenditure, including payments for the clearance of arrears and outstanding commitments for January to May, 2015 amounted to GH¢14.6 billion (10.8 percent of GDP), against a target of GH¢16.1 billion (11.9 percent of GDP). The outturn was 9.1 percent lower than the budget target and 7.4 percent higher than the outturn for the same period in 2014. The lower than estimated expenditures for the period was mainly as a result of the containment of spending.
64. Expenditure on Wages and Salaries for the period totalled GH¢4.2 billion, 1.2 percent lower than the budget target of GH¢4.3 billion and 11.4 percent higher than the outturn for the same period in 2014. In addition to this, an amount of GH¢319.7 million was spent on the clearance of wage arrears. Mr. Speaker, while we have made progress on containing wage expenditure pressures, the

public sector compensation bill which is currently above 50 percent (without arrears) of tax revenue, is significantly high.

65. Mr. Speaker, interest payment for the period totalled GH¢3.3 billion, 8.7 percent lower than the Budget target of GH¢3.6 billion and 16.1 percent higher than the outturn for the same period in 2014. Of the total interest payment, domestic interest cost amounted to GH¢2.6 billion, against a target of GH¢2.8 billion. The lower domestic interest cost is partly on account of lower than estimated domestic borrowing to finance the budget. Government interest costs remain high, hence the need for innovative refinancing initiatives.
66. Total capital expenditure from January to May 2015 amounted to GH¢2.2 billion, against the Budget target of GH¢2.5 billion. Of this amount, domestically financed capital expenditure was GH¢173.5 million.

Overall Budget Balance and Financing

67. Mr. Speaker, the cash fiscal deficit for the period January to May 2015 amounted to GH¢2.5 billion (1.9 percent of GDP) against a target of GH¢4.6 billion (3.4 percent of GDP). The deficit was financed mainly from domestic sources, resulting in a Net Domestic Financing (NDF) of the budget of GH¢1.8 billion (1.3 percent of GDP). The NDF for the period was 55.6 percent lower than the budget target of GH¢3.96 billion.
68. Foreign Financing of the budget was GH¢762.7 million, against a target of GH¢654.1 million. In addition, there was a drawdown of GH¢205.7 million from the Ghana Stabilization Fund to finance the budget due to shortfalls in oil revenue resulting from lower oil prices

Developments in Public Debt

69. Mr. Speaker, Ghana's total public debt stock, which stood at GH¢53.1 billion (US\$24.5 billion) as at end-December 2013, increased to GH¢79.6 billion (US\$24.8 billion) at the end of December 2014. Of the total public debt stock, external debt was GH¢44.5 billion (US\$13.9 billion) while domestic debt amounted to GH¢35.0 billion (US\$10.9 billion), representing 55.96 percent and 44.04 percent of total debt stock, respectively.
70. Mr. Speaker, the provisional debt stock as at end May, 2015 stood at GH¢90.0 billion representing 67.53 percent of GDP. This was made up of GH¢53.8 billion and GH¢36.2 billion for external and domestic debt, respectively.

71. Mr. Speaker, it must however, be noted that, the growth in public debt as at the end of May 2015 is largely on account of the significant risk of exchange volatility which affected more than 50 percent of the entire public debt stock. The expectation is that, the significant recovery of the Cedi against the major trading currencies will fundamentally reduce the ratio of public debt to GDP.

SECTION THREE: REVISED 2015 MACROECONOMIC TARGETS, FISCAL FRAMEWORK AND SUPPLEMENTARY BUDGET

72. Mr. Speaker, developments in both the domestic and global economic environment have necessitated a revision of the macroeconomic framework and targets in the 2015 Budget. While the situation has started to improve, the recent exchange rate depreciation due to high outflows of foreign exchange, and the rising inflation posed downside risks to the achievement of the growth target for the year. This situation is certain to improve.

Revisions to the Fiscal Framework

73. Based on the revisions to the macro-economic framework, the 2015 macroeconomic targets have been revised as follows:

- overall real GDP growth revised from 3.9 percent to 3.5 percent;
- non-oil real GDP growth revised from 2.7 percent to 2.3 percent;
- end-year inflation revised from 11.5 percent to 13.7 percent;
- overall budget deficit target revised from 6.5 percent of GDP to 7.3 percent; and
- Gross International Reserves is projected to remain at not less than 3 months of import cover of goods and services.

74. Mr. Speaker, as a result of the revisions made to the macroeconomic framework and the fiscal performance for the first five months of the year, the 2015 revenue and expenditure estimates have been revised.

a) Revisions to Total Revenue and Grants

75. Mr. Speaker, as indicated in the statement I presented to this House in March 2015, the Petroleum Benchmark Revenue (PBR) price in the 2015 Budget, based on the formula stipulated in the Petroleum Revenue Management Act (PRMA), 2011 (Act 815), was estimated at US\$99.38 per barrel. It will be recalled that a volume of 102,033 barrels per day was also estimated in pursuant to the Act.

76. Based on these assumptions, the estimated total petroleum receipts for the 2015 Budget amounted to GH¢4.2 billion. Of this amount, GH¢2.5 billion was allocated as Annual Budget Funding Amount (ABFA) to finance specific programmes in the Budget; GH¢1.1 billion was estimated to be transferred into the Ghana Petroleum Funds; and GH¢697.7 million to the National Oil Company.

77. Mr. Speaker, since March 2015, crude oil prices have been rising gradually above the price assumption of US\$52.8 per barrel used in assessing the implications of the fall in crude oil prices on the 2015 budget. The price rose above US\$65.0 per barrel but have since fallen below US\$60.0 per barrel. Consequently, following these recent volatilities and consistent with the recently amended PRMA, Act 815, the oil price assumption for the revised macroeconomic framework in this review is projected at US\$57.0 per barrel.
78. Mr. Speaker, based on the revised oil price assumption, the revised total petroleum receipts for 2015 is estimated at GH¢1.8 billion (1.3 percent of GDP), compared with the 2015 Budget estimate of GH¢4.2 billion (3.1 percent of GDP). The difference of GH¢2.2 billion is 58.0 percent lower than the 2015 Budget target.
79. In addition to the direct impact on petroleum receipts, the decline in crude oil prices is expected to impact negatively on the Special Petroleum Tax (SPT). Thus, the revenue yield from the special petroleum tax is estimated to be lower by GH¢124.4 million.
80. Mr. Speaker, in spite of the receipt of additional dividends of about GH¢600 million during the first quarter of the year, non-tax revenue receipts for 2015 are estimated to be lower than projected due to the lower oil price.
81. Mr. Speaker, as a result of the earlier depreciation in the exchange rate, the assumption for the Budget has been revised and all Budget inflows denominated in foreign currency have also been revised upwards.
82. In summary, total revenue and grants for the 2015 fiscal year have been revised downwards by GH¢1.9 billion, from GH¢32.4 billion (24.0 percent of GDP) to GH¢30.5 billion (22.8 percent of GDP). The downward revision is mainly on account of the lower oil revenue projections. The revised total revenue and grants for the year represents an increase of 23.4 percent over the outturn for 2014.

b) Revisions to Expenditures

83. Mr. Speaker, the estimate for total expenditure and arrears clearance have been revised downwards from GH¢41.2 billion to GH¢40.3 billion (30.0 percent of GDP). This is mainly on account of lower spending from oil revenues and lower domestic interest payments.

84. In spite of the estimated lower spending from oil revenue and domestic interest payments, some other expenditure items such as external interest payment and foreign financed capital expenditures are estimated to be higher mainly as a result of the exchange rate depreciation.
85. As a result of lower oil revenue inflow due to the decline in crude oil prices, goods and services expenditures have been revised downwards by GH¢113.6 million, from GH¢1.97 billion to GH¢1.9 billion.
86. Mr. Speaker, in anticipation of the proposed Eurobond issue of US\$1.5 billion in 2015, domestic financing is estimated to be lower than projected in the 2015 Budget. In this regard, domestic interest payment has been revised from GH¢8.0 billion to GH¢7.7 billion. On the other hand, external interest is estimated at GH¢1.6 billion, higher than the 2015 Budget estimate by GH¢72.6 million. On the whole, total interest payments for 2015 have been revised downward by GH¢227.4 million, from GH¢9.6 billion to GH¢9.3 billion.
87. 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¢697.7 million to GH¢497.9 million.
88. As a result of a short fall in oil prices, domestically financed capital has been revised downwards by GH¢722.8 million, down from GH¢2.6 billion to GH¢1.8 billion. On the other hand, foreign-financed capital expenditure has been revised upwards from GH¢4.4 billion to GH¢4.5 billion on account of the exchange rate depreciation.
89. Mr. Speaker, following the completion of the audit of claims of Bulk Oil Distribution Companies (BDCs) on Government, it has become necessary to clear more arrears than was envisaged in the 2015 Budget. As a result, arrears clearance for 2015 have been revised upwards from GH¢1.6 billion to GH¢1.9 billion.
90. Mr. Speaker, in view of the exchange rate depreciation and the plan to buy back part of the 2017 Eurobond, foreign debt repayment has been revised upwards by GH¢1.8 billion, from GH¢2.8 billion to GH¢4.6 billion.

c) Revised Overall Budget Balance and Financing

91. Mr. Speaker, on the basis of the revised revenue and expenditure estimates, the 2015 revised budget will result in an overall budget deficit of GH¢9.7

billion, equivalent to 7.3 percent of GDP, against the earlier estimate of GH¢8.8 billion, equivalent to 6.5 percent of GDP.

92. The revised budget deficit will be financed from foreign and domestic sources. Foreign financing of the deficit is estimated at GH¢4.7 billion. Of this amount, GH¢5.1 billion will be sourced from the International Capital Market, part of which will be used to buy back Ghana's Eurobond which matures in 2017. Domestic financing of the Budget is estimated at GH¢4.97 billion, indicating a downward revision by GH¢2.6 billion from the estimate in the 2015 Budget.
93. Mr. Speaker, as we stated in March 2015, the notice to revise the Budget administratively was fiscally prudent. By moving expeditiously to curtail expenditures, we have now been spared the overestimation of petroleum revenues that occurred in 2012, with major adverse effect for the economy. We now entreat the House to approve this prudent move by the Government. This will be consistent with the approval by this August House to grant appropriate discretion to the Minister of finance (with the approval of the House) to revise our petroleum revenue target when the need arises.

Request for Approval of Supplementary Estimates

94. 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 2015 budget. We are requesting approval for a total amount of **GH¢865,789,380.00**.

SECTION FOUR: STATUS OF IMPLEMENTATION OF KEY POLICY INITIATIVES

95. Mr. Speaker, significant progress has been made on a number of policy and structural initiatives, including existing and new ones which cover the strategic areas of Power, Debt Management, Export-led Development and Infrastructure, including Education. Permit me to present further details of progress made under some of these initiatives.

POWER SECTOR INITIATIVES

96. Following from His Excellency the President's promise in the 2015 State of The Nation address in which he promised to fix the challenges in the power sector, the following power projects have either been commissioned or completed:
- a. First, emergency power projects at various stages of preparation, approval or commissioning, include the 225MW Powership-IPP project; 250MW Ameri in Takoradi (under Build Own Operate and Transfer arrangement); the 370MW AKSA; 110MW TEI; and 300 GE Early. In addition, the 220MW Kpone Thermal Power Project (KTPP); 110MW Tico Expansion Project; 180MW Asogli Phase 2(1); and the VRA TT2PP (38 MW) expansion project will be completed before the end of the year.
 - b. Second, the 360MW Asogli Phase 2, 350MW CenPower, 360MW Jacobsen, and the 240MW Amandi Projects will be completed in the medium term to add power in excess of 3,000MW.
97. As noted earlier, the developments include the medium term projects such as TEN, Sankofa, and Jubilee-Gas era which are also tied to the World Bank Partial Risk Guarantee (PRG) and MCC Compact II/ Power Africa Programme.

STRUCTURAL FISCAL MEASURES

98. The goal of our structural fiscal programmes is to continue enforcing fiscal discipline through improvements in Public Accounts and budget systems and processes.

Tax Compliance

99. Mr. Speaker, GRA has launched its Strategic Plan for 2015-2017 and in it, the third party information and exchange of import data with domestic information for compliance purpose is being pursued. Importers are required to indicate their TIN numbers and the domestic tax office where they honour their tax obligations for a full compliance audit.

100. A major component of the Strategy is the complete takeover of the Customs Valuation and Classification from the DICs, under the single widow concept. This conforms to World Customs Organisations directives and best practices

Public Financial Management (PFM) Laws

101. Mr. Speaker, the Ministry of Finance (MOF) has developed a public financial management (PFM) reform strategy which has received executive approval. The Ministry is also leading the development of an overarching Public Financial Management law, which will underpin Ghana's ongoing PFM reforms. It is designed to address persistent weaknesses in the budget processes and promote fiscal discipline, transparency and accountability.
102. The existing financial legislations will be revised to reflect the new PFM law. A Bill will be submitted to this august House for your consideration and approval. In this regard, we will collaborate with House leadership to conduct an elaborate workshop on the strategy for relevant committees

Sustaining the New Pay Policy

103. Mr. Speaker, Government is continuing to implement a number of measures to contain the wage bill. They include: Payroll Clean-up Measures such as Suspension of Salaries of public service workers without up-to-date personnel records and bank accounts; Implementation of Electronic Salary Payment Voucher (eSPV); Continuation of Head Count; Validation of SSNIT Numbers; and Migration of all subvented Agencies onto the mechanised payroll.
104. To ensure effectiveness of the payroll and HRMIS reforms, the CAGD has been directed by the Ministry of Finance to stop processing the payroll for any Agency and management Unit that does not provide an update of the monthly report that is now given to all MDAs/MMDAs on government's payroll.
105. Mr. Speaker, the Fair Wages and Salaries Commission will soon commence the administrative process to kick start negotiations on Categories 2 and 3 allowances and the base pay for 2016. In the context of negotiating within budgetary constraints which has been agreed to by all stakeholders, as well as the need to reduce transaction cost of negotiations, there is the need to ensure that these categories of allowances are negotiated within the service classifications as stipulated in the Government White Paper on the Single Spine Pay Policy.

106. In order to further strengthen existing controls in payroll management, the biometric database of the e-zwitch system will be used to validate and maintain a single identity of employees at the point of payment of salaries at the banks. The aim is to avoid any double payment, eliminating other types of fraud in order to minimize the size of the payroll. To implement this policy, the CAGD has been tasked to work with the Ghana Interbank Payment and Settlement System (GhIPPS) to sensitise public servants to register for the e-switch cards. Actual implementation of the e-zwitch mechanism to pay salaries of employees will be done on pilot basis with effect from October 2015.

Cash Management Initiatives

107. Mr. Speaker, Government is reviewing its Cash Management Operational Framework which is directly linked to treasury management. With a 2-weeks focus, within a monthly and annual outlook, the framework provides revenue and public expenditure forecasts and takes into consideration the financing needs on a weekly basis. The framework uses bank of Ghana's financing and the budget deficit as constraints, thereby adopting a measure to avoid budget overruns.
108. This has improved the funding of planned expenditure and debt service in a timely manner. Eventually, it is expected to help reduce substantial idle balances in the banking system with its associated costs by the operationalisation of the Treasury Single Account (TSA).

Expenditure Controls

109. Mr. Speaker as part of compliance measures on financial management and control of expenditure, CAGD will implement the B-Tracking (Bank Tracking), e-Travel Card, and e-Fuel Card systems. In addition, the MOF in collaboration with the Ministry of Trade and Industry, and Ministry of Roads and Highways is; (a) introduce electronic forms of payments on the next generation of public buses; and (b) complete the on-going RFP process for installing electronic road tolls plazas. The aim of these electronic forms of payment is to ensure effective utilization of budgetary resources.

Debt Management Initiatives

110. Mr. Speaker, Government has developed a Medium Term Debt Strategy to ensure that financing requirements are met promptly at the lowest possible cost consistent with prudent degree of risk. In line with the strategy, Government intends to diversify funding sources and lengthen the maturity profile of the debt portfolio. The strategy includes the use of innovative financing instruments as well as plans to issue a Eurobond of US\$1,500.00

billion in the second half of the year. To help achieve these goals, this particular issue will be backed by a World Bank Policy Based Guarantee (PBG) – another sub-Saharan Africa initiative, first for the nation. The amendment for the increase is currently under consideration by this august House.

Sinking Fund

111. Mr. Speaker, government has created the sinking fund account to help manage the orderly redemption of maturing Eurobonds and other debt instruments. A total of US\$100.00 million has been transferred from the excess amount from the cap of the Ghana Stabilization Fund (GSF) as approved by this House.
112. However, in March 2015 Bank of Ghana swept all positive balances in government accounts, reducing the balance of the accounts to zero. It was also part of measures to streamline Government account balances, in a rather conventional manner, for the IMF programme. Going forward, corrective measures are being taken through the Chart of Accounts, under the PFM Reforms, to ensure that government Accounts established by statutes for specific purposes are protected from general sweeping.
113. This will be achieved by differentiating between Government's Accounts meant for operational and liquidity management purposes and those for investment and statutory purposes.

On-lending & Escrow Arrangement

114. Mr. Speaker, the mandatory on-lending and escrow account initiative signed with some State Owned Enterprises (SOEs), MDAs and MMDAs, to minimize the impact of loans on the public debt portfolio has commenced. Besides the existing escrows by VRA, GRIDCo and Bui Power Authority, the Electricity Company of Ghana (ECG) is the first to deposit an amount of GH¢2.00 million into its escrow account for the Ghana Energy Development and Access Project (GEDAP). Increased efforts are being made to ensure that other SOEs honour their part of the arrangement. Government acknowledges its own indebtedness to some SOEs but this should not be used to resist the on-lending programme.

EXPORT PROMOTION AND IMPORT SUBSTITUTION MEASURES

115. Mr. Speaker, a key reason for the pressure on the value of the Cedi is our excessive preference for imports and weak support mechanism for exporters. We are changing this in our structural and transformational approach.

Ghana EXIM Bank

116. Mr. Speaker, I am happy to inform this House that in February this year, H.E. the President inaugurated a Task Force to prepare a road map for the establishment of the Ghana Exim Bank. A draft bill has been prepared for consideration by Cabinet and will be submitted to this House in due course. We expect the Bank to be operational by 2016 and will help address the challenge of long term credit for exporters.

Export-led Development Strategy

117. Mr. Speaker, in line with our export led development strategy, the Ministry of Trade and Industry (MOTI) is supporting the Sea-freight Pineapple Exporters Association (SPEG) to diversify their product range. The Ministry is also collaborating with the Ghana Export Promotion Authority to rekindle the interest of local farmers in the Greater Accra and Volta Regions in the cultivation of vegetables, whilst farmers in the Central Region are involved in the cultivation of sugar loaf and smooth cayenne pineapple for export. They will also be part of the Komenda sugar factory project that puts the emphasis on local production of sugar

Investment Incentives

118. Mr. Speaker, given the importance of changing orientation of government policies in support of exports, the GIPC will be required to put more emphasis on incentives for exporters. Together with the GEPA, government will encourage private sector institutions such as GUTA, GNCC and AGI to evolve programmes that will promote exports among their members.

Revamping of the Broiler Programme

119. Mr. Speaker, to further reduce the import bill, the broiler revitalization project, which is expected to lead to the production of 20 million broilers and result in 60,000mt of poultry meat, has taken off. Measures such as these and the earlier boost to pharmaceutical and rice sectors, are designed to reduce our import dependency.
120. However, the success of the broiler programme, is threatened by the recent outbreak of avian influenza, also known as bird flu, in the Greater Accra Region and other parts of the country. This has led to the destruction of several birds resulting in the loss of revenues. The Ministry of Food and Agriculture and other Agencies are taking prompt steps to stem the spread of the disease in the Country.

COMMUNITY DAY AND PROGRESSIVELY FREE SHS

121. Mr. Speaker, in fulfilment of government's promise, the first phase of the 50 community day SHS programme involving the Construction of 4-storey 24 unit Classroom Blocks (E-Block) in 50 districts are at various stages of completion. Five of the projects listed below are scheduled to be completed by end of August 2015:
- Derma in the Tano South District of the Brong Ahafo Region;
 - Nyanoa in the Upper West Akim District in the Eastern Region;
 - Bunkpurugu Namong in the Bunkpurugu Yunyoo of the Northern Region;
 - Chinderi in the Kratsi Ntsumuru District of the Volta Region; and
 - Bamiankor in the Nzema East District of the Western Region.
122. The remaining 45 projects which were started in September 2014 are scheduled for completion in February 2016. The second phase of 50 schools have been awarded for completion within 15 months.
123. Mr. Speaker, Government through the Ministry of Education will commence the implementation of the Progressively Free Secondary Education Programme from the 2015/16 academic year.

MID-YEAR INITIATIVES

124. Mr. Speaker, additionally, government is embarking on a number of mid-year measures to enhance policies approved by the House. The purpose is to further consolidate the gains made.

Equity Study and Fiscal Trust

125. Mr. Speaker, Government has significant full or partial equity holdings in several Corporations, Authorities and Companies. Some of these result from partial privatization or joint ventures between government and the private sector. To improve management and performance monitoring, an Equity study is currently being undertaken by the Ministry of Finance to identify the equity holdings. Government will present a proposal to transfer the equity holdings to a Fiscal trust as is the practice by Bank of Ghana and many countries.

Infrastructure Guarantee Facility

126. Mr. Speaker, Government intends to continue with measures to reduce the number of sovereign guarantees provided directly by government in particular, to support commercial projects. As noted, we have made progress in using insurance and partial risk guarantees issued by the multilateral institutions. In

this regard, a feasibility study will be undertaken on establishing a dedicated domestic guarantee facility that can provide risk mitigation and credit enhancements to support long term infrastructure financing in Ghana. This initiative may result in amendment of the GIIF Law to facilitate the setting up of a Guarantee Fund by GIIF.

SECTION FIVE: CONCLUSION

127. Right Honourable Speaker, in conclusion, permit me to state on behalf of H. E. the President, John Dramani Mahama, that we are very committed to achieving the transformation agenda for the country, with opportunities for all. The on-going fiscal consolidation measures and policies under the IMF programme, promise an environment of all-encompassing inclusive growth, value addition, and diversification.
128. In the near term, our access to oil and gas revenues will fast-track the achievement of this goal by facilitating further investments in, and integration with, downstream energy, agriculture and services sectors.
129. Mr. Speaker, we are focused on making the transformation a reality:
- a) We remain focused on a fiscal consolidation effort with significant structural measures to stabilise the macro economy; enhance domestic revenue mobilisation; and change public financial management practices;
 - b) We are focused on boosting power supply as the main element of establishing an industrial base, be it in agro-processing; downstream petrochemical; and other forms of light and heavy industry;
 - c) We are focused on utilising our petroleum and other resources to set up funds for infrastructure development stabilizing volatilities that are often beyond our control; and managing our debt and contingencies;
 - d) We are focused on transforming our IGF and statutory fund programmes by setting up improved social intervention programmes in support of inclusive growth; and
 - e) We are focused on leading the private sector to participate in an export-led strategy, through initiatives such as the Ghana EXIM Bank and to gradually reduce our import dependency.
130. In short, we have not just started planning, we are in implementation mode and we encourage all Ghanaians to join in the effort.
131. Mr. Speaker, I beg to move that this august House approves the 2015 Supplementary Estimates of **GH¢865,789,380.00** in compliance with Article 179 (8) of the Constitution and Standing Order 143 of this House.

132. 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.
133. Mr. Speaker, we are determined in our efforts 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.
134. Mr. Speaker, I so move.