



CITIZENS' BUDGET — 2017 —

AN ABRIDGED AND SIMPLIFIED VERSION OF
THE 2017 BUDGET STATEMENT AND ECONOMIC POLICY



ON THE AUTHORITY OF
HIS EXCELLENCY NANA ADDO DANKWA AKUFO-ADDO
(PRESIDENT OF THE REPUBLIC OF GHANA)



Contact information for follow-up by citizens

The 2017 Budget Statement and Economic Policy of the Government and the Citizens Budget are available on the internet at:

www.mofep.gov.gh

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TABLE OF CONTENTS

LIST OF TABLES.....	ii
FOREWORD	iii
SECTION ONE: INTRODUCTION.....	1
ASSUMPTIONS UNDERLYING THE 2017 BUDGET (MACROECONOMIC TARGETS)	2
REVENUE AND GRANTS: HOW GOVERNMENT GETS ITS MONEY.....	3
EXPENDITURE: HOW GOVERNMENT SPENDS.....	4
SECTORAL OUTLOOK FOR 2017	5
Energy	5
Transportation	6
Water and Sanitation	7
Education	7
Health.....	8
Agriculture	9
Works & Housing	9
Trade and Industry.....	10
Employment.....	10
POLICY INITIATIVES: WHAT GOVERNMENT IS PLANNING TO DO	10
CONCLUSION	11
GLOSSARY (BUDGET TERMINOLOGY)	12

LIST OF FIGURES

Figure 1: Budget Cycle.....	1
Figure 2: Breakdown of Domestic Revenues in Millions of Cedis (Where Government's Money comes from in GH¢ Millions).....	3
Figure 3: Expenditure Items and their allocations for 2017 (How Government Spends, GH¢ Millions).....	4

LIST OF TABLES

Table 1: Projected revenue and grants for 2017 (GH¢ Millions).....	4
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FOREWORD

On the 7th of December, 2016, the good people of Ghana exercised their democratic right and elected a new government to steer the affairs of the country.

The vision of this Government is one of hope, jobs and wealth creation and a strong economy that supports a thriving private sector. Thus the 2017 Budget Statement and Economic Policy, presents strategies and actions that will move this economy from its current state into a full-fledged middle income economy.

To achieve this vision, Government will do three major things:

- Raise more money by closing tax loopholes and leakages;
- Check inefficiencies and waste in how Government spends your money; and
- Provide the enabling environment to stimulate business growth and encourage job creation through a number of policy initiatives.

Government takes this opportunity to thank all citizens especially for your comportment during the general elections. This led to a successful and peaceful transition. We are also thankful to all who contributed to the preparation of the 2017 Budget, especially Civil Society Organizations, Development Partners, the private sector and the public in general.

It is my fervent hope that the 2017 Citizens' Budget will enable Ghanaians to have a better understanding of government's policies and programmes, in order to participate fully in the development process and hold government accountable in the administration of the economy. Let us together get Ghana working again.



Ken Ofori-Atta
Minister for Finance

SECTION ONE: INTRODUCTION

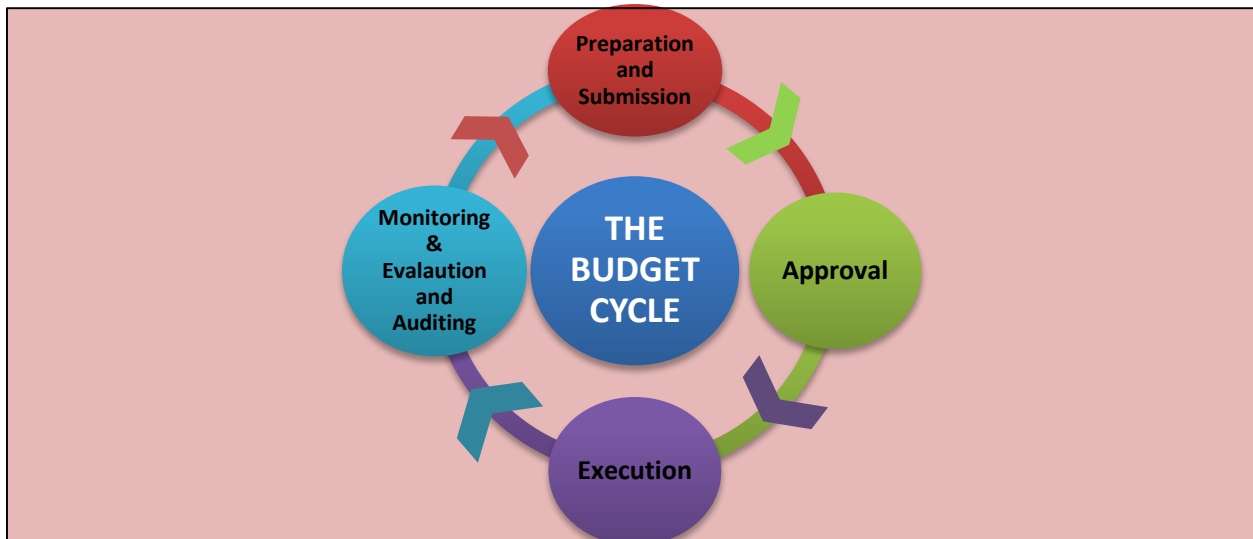
Citizens' Budget

A Citizens' Budget is a summarized version of the national budget on how Government plans to raise revenue and how it intends to spend and allocate these revenues to achieve developmental goals. It is also aimed at enabling active participation of citizens at all levels to hold government accountable.

The Budget Process

The Budget goes through four main stages and they are preparation, approval, execution and monitoring and audit. These stages are known as the budget cycle as indicated in figure 1 below.

Figure 1: Budget Cycle



Preparation and Submission Stage: This involves the collation of inputs from stakeholders and the preparation of budget estimates in line with macroeconomic targets on future growth. Ministry of Finance (MoF) then finalizes the Budget Statement after which the Minister for Finance, acting on behalf of the President, presents it to Parliament, usually in November.

Approval Stage: After the budget is presented, Parliament debates and approves it by passing it into law known as the Appropriation Act. It is thereafter signed by the President which gives Ministries, Departments and Agencies (MDAs) and other Government Institutions permission to spend.

Execution stage: Funds are released to the MDAs upon request using an electronic system called the Ghana Integrated Financial Management Information System (GIFMIS), to execute their planned programmes.

Monitoring & Evaluation and Audit stage: The final stage involves the regular monitoring and examining of financial reports of MDAs to ensure that funds released are used for their intended purposes.

2016 Performance and 2017 Budget

At the end of December 2016, total Revenue and Grants amounted to GH¢33,678.2 million, against a target GH¢37,889.3 million. For the same period, total expenditures including outstanding obligations amounted to GH¢51,125.0 million as against a revised target of GH¢43,984 million. Government in 2016 spent GH¢17,447.00 million more than it allocated in revenue.

The 2017 Budget intends to reverse the performance in 2016 and restore financial discipline. This will set the pace for job creation and accelerate growth through private sector empowerment and reduce the cost of doing business as well as create a conducive investment environment.

ASSUMPTIONS UNDERLYING THE 2017 BUDGET (MACROECONOMIC TARGETS)

The assumptions underpinning the 2017 Budget are as follows:

- overall GDP growth rate of 6.3 percent;
- non-oil GDP growth rate of 4.6 percent;
- end-year inflation rate of 11.2 percent;
- average inflation rate of 12.4 percent;
- overall fiscal deficit of 6.5 percent of GDP;
- primary surplus of 0.4 percent of GDP;
- Gross Foreign Assets to cover at least 3 months of imports of goods and services.

Revenue Generation Measures

To enhance revenue generation activities in 2017, Government will among other measures;

- review taxes to provide relief for businesses;
- grant exemptions on Mineral Exploration with the expectation that in 5 years, at least two greenfield mines will be opened to yield extra revenues to the state; and
- review import duty and tax exemptions to eliminate abuses and improve efficiency in the applications of these incentives.



Expenditure Management Measures

To limit excessive expenditure overruns, the following measures will be implemented.

- enforcement of the Public Financial Management Act, (Act 921);
- establishment of the Fiscal Council;

- re-alignment of Statutory Funds;
- payment of public sector wages and salaries using the e-zwich platform; and
- enforcement of the Public Procurement Act.

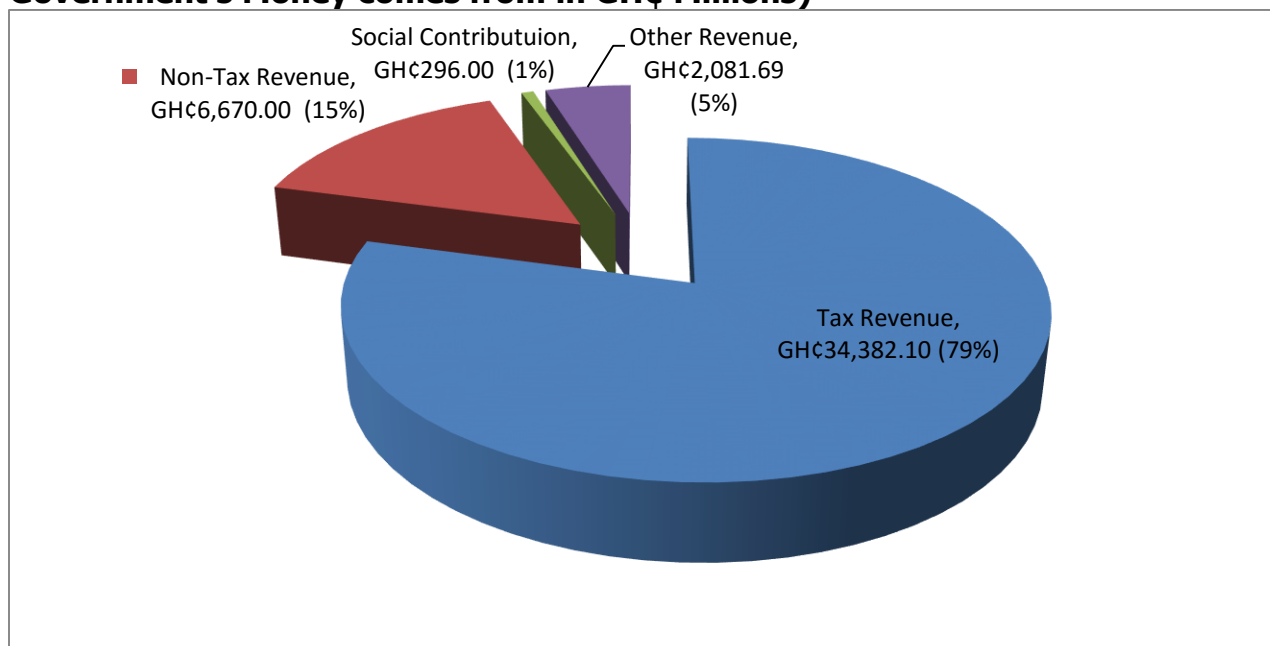
REVENUE AND GRANTS: HOW GOVERNMENT GETS ITS MONEY

The total revenue and grants for 2017 including programmed receipts from petroleum is projected at GH¢44,961.64 million equivalent to 22.1 percent of GDP. This will be generated from both domestic and external sources.

The domestic sources include taxes or non-taxes paid by Ghanaians as their civic responsibility and payments made by non-residents who do business either with or in Ghana.

The total projected domestic revenue for 2017 is GH¢43,430.11 million or 21.4 percent of GDP. The breakdown is shown in the figure below.

Figure 2: Breakdown of Domestic Revenues in Millions of Cedis (Where Government's Money comes from in GH¢ Millions)



From the above, it can be observed that taxes form Government's largest source of domestic revenue.

On the other hand, the external sources include monies received by Government from outside the country usually Development Partners in the form of programme and project grants. The total grants for 2017 Budget is expected to be GH¢1,531.52 million. Table 1 shows the 2016 outturn and the projections for 2017.

Table 1: Projected revenue and grants for 2017 (GH¢ Millions)

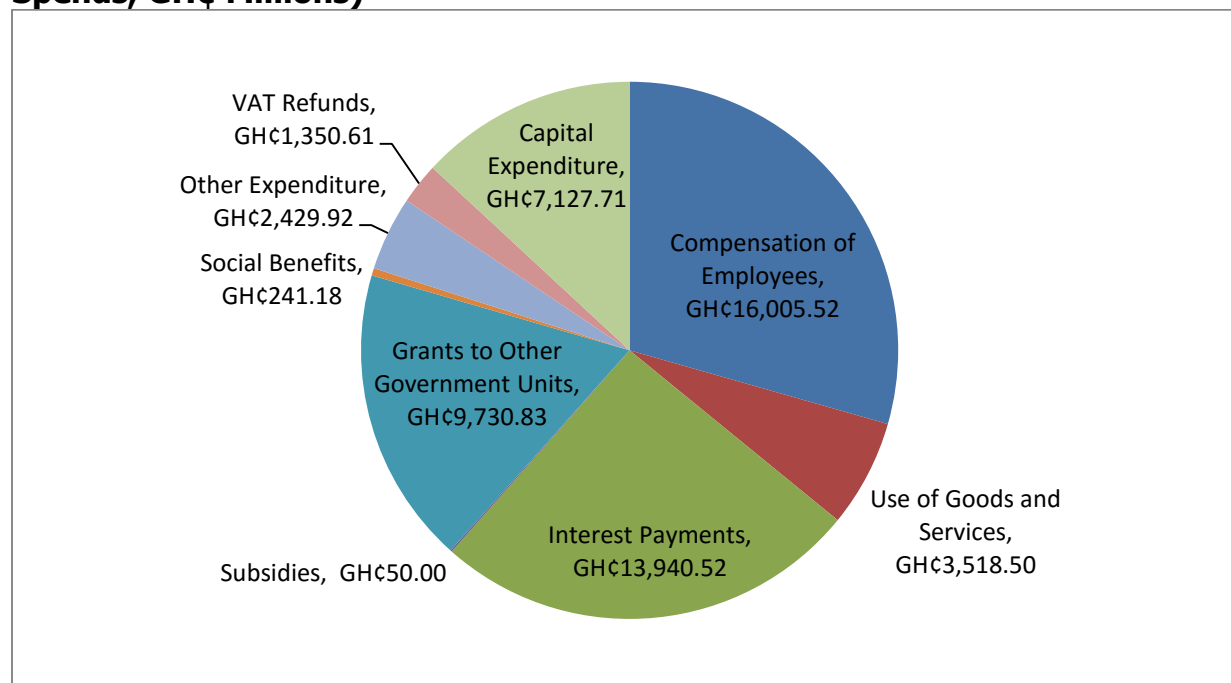
Item	2016		2017
	Revised Budget	Outturn	Budget
Domestic	36,300.09	32,537.45	43,430.12
Grants	1,589.26	1,140.73	1,531.52
Total	37,889.35	33,678.17	44,961.64

EXPENDITURE: HOW GOVERNMENT SPENDS

This refers to how much government spends on its programmed activities over a period. The ability of government to raise enough revenue to spend on critical items depends on the timely payment of the right amount of taxes by citizens, companies and organizations.

Total expenditure including provision made for the clearance of arrears and outstanding commitments in 2017 is estimated at GH¢58,137.4 million, equivalent to 28.6 percent of GDP for 2017. It could be observed that the total revenue and grants of GH¢44,961.6 million will not be enough to offset the estimated expenditure of GH¢58,137.4 million. As a result, Government will borrow GH¢13,175.76 million to finance the budget. Figure 3 shows the various expenditure items and their allocations in 2017.

Figure 3: Expenditure Items and their allocations for 2017 (How Government Spends, GH¢ Millions)



From the above, it can be observed that Government's largest expenditure items are Compensation of Employees and Interest payments on Government loans.

Oil Receipts and Expenditure Allocation

In 2016, a total of 5,856,921 barrels of crude oil was lifted from our oil fields. This amounted to USD\$207.79 million, equivalent to GH¢811.68 million.

The total revenue from the oil operations was GH¢972.55 million, out of which GH¢388.85 million was used to support the 2016 Budget (Annual Budget Funding Amount, ABFA).

For the 2017 financial year, total petroleum receipts/revenue is expected to be USD\$515.64 million. Out of this amount, USD\$169.46 million will be used to support the 2017 Budget. This will be spent on the following priority areas:

- Agriculture;
- Physical Infrastructure and Service Delivery in Education;
- Physical Infrastructure and Service Delivery in Health; and
- Road and Rail Infrastructure Development.

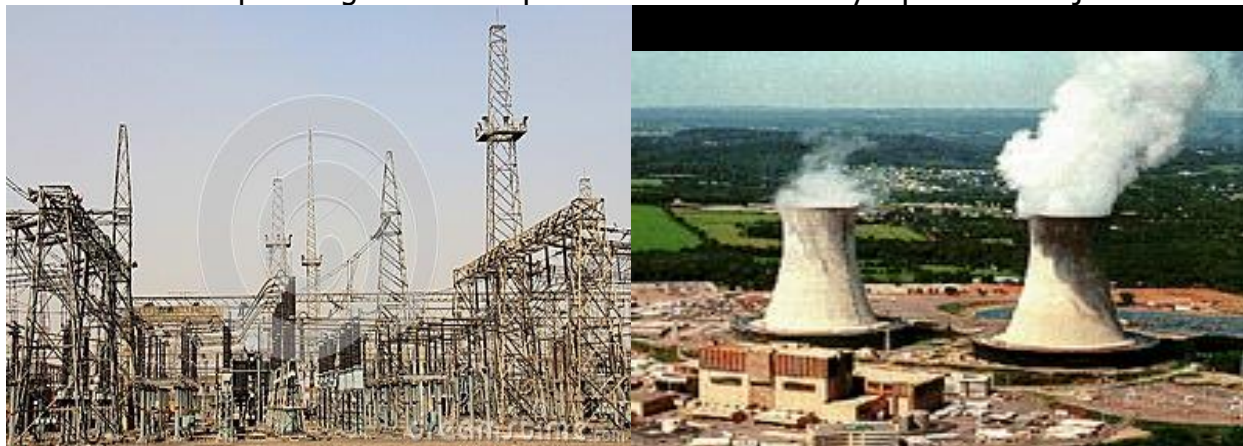
SECTORAL OUTLOOK FOR 2017

In line with Government's agenda to improve the lives of Ghanaians and create equal opportunity for all, some major programmes and projects to be implemented in 2017 are as follows.

Energy

To stabilize the power supply, Government will:

- increase the installed generation capacity of the country by 1200MW to meet the growing demand for electricity;
- increase the country's strategic storage capacity, Bulk Oil Storage and Transportation (BOST) and construct an additional storage tank of up to 100,000 MT of gasoline and gasoil in Pumpuni in the Western Region;
- assist Bui Power Authority (BPA) to complete the design process for the 50MW Solar Hybrid Project; and
- monitor progress of all Independent Power Producer (IPP) initiatives by ECG and facilitate the planning and development of the 150MW Ayitepa Wind Project.

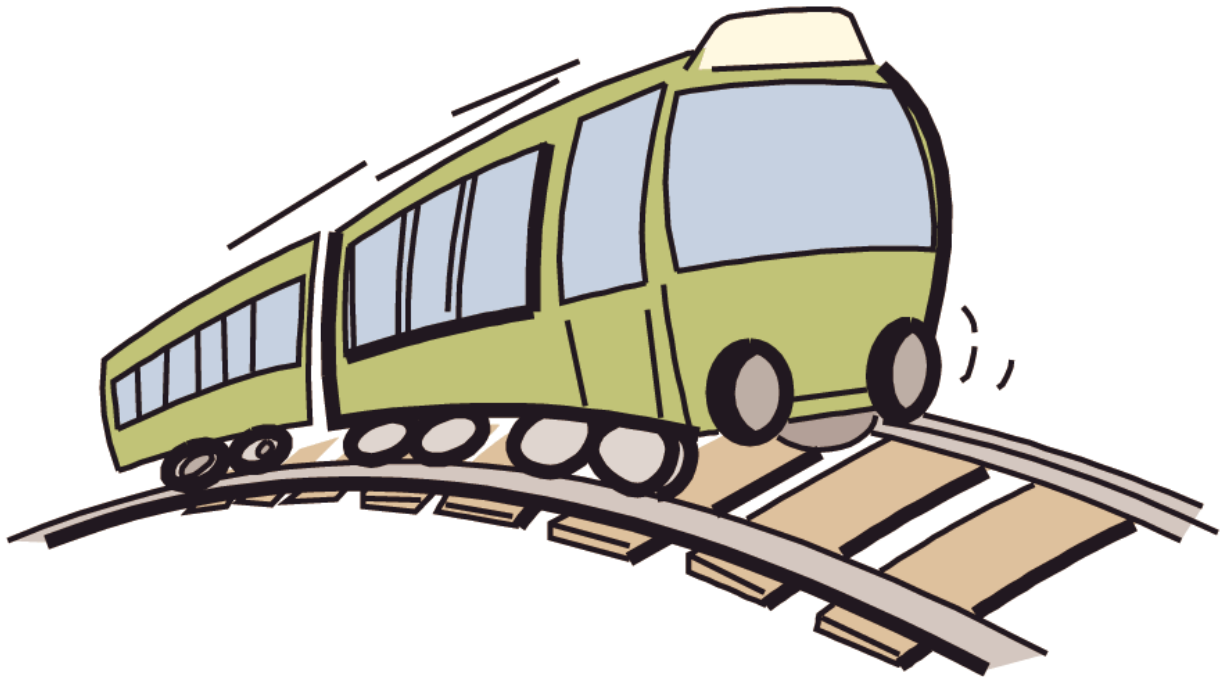


In 2017 Government intends to allocate an amount of GH¢889.71 million to implement the activities in this sector.

Transportation

To provide a seamless transportation system for the country, Government will carry out:

- routine and periodic maintenance activities on some trunk, feeder and urban road networks;
- rehabilitation of Sawla – Wa Road, Dome – Kitase Road, Han – Tumu Road, Mankessim – Abura – Dunkwa Road, Nkawkaw - New Abirem Road, Dznayor-Ogbojo, Kpone Katamanso and Golf City Area, Ayefua Area Roads and Third Ring Road in Tamale;
- construction of Volivo Bridge, Tamale - Yendi, Bolgatanga – Bawku – Polmakom, Nkwanta - Oti Damanko, Oti Damanko - Nakpanduri, Berekum – Seikwa, dualisation of Ho Main, Kumasi Roads, Ho Bypass, Obetsebi Lamptey and Pokuase Interchange;
- invite developers and source funding for the development of the Kumasi to Paga railway; and
- commence the construction of phase 2 of the Tamale airport terminal.



Water and Sanitation

To improve upon sanitation and ensure quality supply of water for all, Government will embark on:

- construction of at least 2,000 boreholes across the country as part of Government's goal of 'Water for All';
- construction of dams for our rural communities through the 'One Village One Dam' initiative;
- enforcement of environmental sanitation and basic hygiene bye-laws
- construct at least 15,000 household toilets in low-income communities in the Greater Accra Metropolitan Area; and
- construction of 5,000 household toilets for rural communities in the three Northern regions under the National Accelerated Toilet Access Programme.



In 2017 government intends to allocate an amount of GH¢255.53 million to implement the activities in this sector.

Education

To provide equitable access and quality education to enable all Ghanaians contribute effectively to the development and growth of the country, Government will:

- increase the Capitation Grant by 100 percent from GHS 4.50 to GHS 9.00 for every child;
- fully absorb the BECE Registration Fees for all Public Junior High School (JHS) students and subsidize registration fees for private JHS students;
- commence the implementation of free secondary education in September when the 2017/18 academic year starts;

- strengthen collaboration with Africa Institute of Mathematics Science for the establishment of Science and Mathematics Centre of Excellence;
- fully restore the payment of allowances to 43,570 teacher trainees in 43 public Colleges of Education from September 2017; and
- increase the Students Loan Trust Fund (loan amount) by 50 percent starting from the 2017/2018 academic year



In 2017 Government intends to allocate an amount of GH¢8,330.10 million to implement the activities in this sector.

Health

To ensure a healthy population free from all forms of diseases, Government will:

- increase coverage of antenatal care services and delivery;
- fully immunize children;
- implement a Scheme of Service for the health sector;
- construct new health facilities including engagements with the private sector in the provision of health care infrastructure;
- improve access to quality health care delivery through the National Health Insurance Scheme (NHIS); and
- re-introduce training allowances for nurses in the next academic year.



In 2017 Government intends to allocate an amount of GH¢4,226.15 million to implement the activities in this sector.

Agriculture

To enhance productivity and increase public investment in agriculture, Government in 2017 will:

- embark on the **"Planting for Food and Jobs"** campaign designed to encourage all citizens to take up farming as a full or part-time activity;
- implement the **"One Village One Dam"** policy where small to medium scale irrigation schemes will be identified and rehabilitated;
- facilitate the supply of 549 tractors and other agricultural machinery;
- construct and rehabilitate 54 warehouses;
- introduce solar-powered pump irrigation on cocoa farms in the 2017/18 cocoa season;
- support coffee farmers with fertilizers and extension services to improve productivity; and
- Pilot the Fisheries Nucleus-Outgrower Scheme in two fishing communities along the Volta Lake to create job opportunities for the youth and women fish processors and traders.



In 2017 government intends to allocate an amount of GH¢759.68 million to implement the activities in this sector.

Works & Housing

- construction of various reinforced concrete drains will be undertaken in Adenta, Goaso, Mim, Asutifi, Hwidiem, Ejura, Tepa, Tafo, Tamale, Ofoase-Korkorben, Odorkor, Bodi, Boanim, Dwinase, Asankragua, Nkrankwanta, among others; and
- create the enabling environment for the private sector to fully participate in the second phase of the 5,000 Affordable Housing units project scheduled to commence in 2017.



In 2017 government intends to allocate an amount of GH¢108.89 million to implement the activities in this sector.

Trade and Industry



To strengthen the trade and industry sector for sustained economic growth, Government in 2017 will:

- facilitate access to credit and markets for Micro Small and Medium Enterprises as well as high quality Business Development Services;
 - establish a state-of-the-art, transparent, and professional market institutions to create an orderly, transparent and ready market for goods that are produced by farmers in the country; and
- facilitate the development of an irrigation project and sugarcane plantation.
 - initiate the "One District One Factory" initiative to ensure an even spatial spread of industries.

In 2017 government intends to allocate an amount of GH¢269.14 million to implement the activities in this sector.

Employment

- YEA will create 115,000 jobs in all districts; 45,000 youth under the Youth in Sanitation module will be maintained by the various District Assemblies;
- 15,500 youth will be trained in various vocational trades and organize testing and certification for 42,000 candidates in vocational skills, ICT and secretary-ship
- 5,000 farmer-based cooperative societies will be trained in business management practices and supported with funds and access to markets to enable them meet their production targets within selected supply chains

In 2017, Government intends to allocate an amount of GH¢60.71 million to implement the activities in this sector.

POLICY INITIATIVES: WHAT GOVERNMENT IS PLANNING TO DO

The 2017 Budget will set in motion the following key policies and priority projects:

- establishment of the Infrastructure for Poverty Eradication Project (IPEP) to combat poverty and improve the lives of the rural dweller. This entails the '**one district, one factory**'; and the '**one village, one dam**' projects;

- establishment of the **Zongo Development Fund** to support the provision of critical infrastructure in education and training, health and sanitation among others;



- roll-out the National Identification Scheme to facilitate the efficient delivery of public and private services and help formalise the economy;

- implement the free SHS to ensure equal opportunities for all; and

- support mobile money and mobile banking businesses to enhance and expand financial inclusion.

CONCLUSION

Government in the 2017 Budget has set the stage to implement the economic transformation agenda and would take strategic steps to fundamentally change the structure of the economy. Government is also committed to delivering on all the well thought out programmes and policies, build a friendly business environment that will lead to economic growth and prosperity.

God bless our homeland Ghana.

GLOSSARY (BUDGET TERMINOLOGY)

Accountability: This is when Government is answerable to its citizens by accounting for its activities and disclosing the results of such actions, this may include the responsibility for money or other properties that Government holds in trust.

Budget: A budget is a plan that outlines where to get money from and what to spend it on. For instance a family can draw up a budget which will show how much money is available and how it should be prioritised for spending (for example, rent, utilities and food). If more money is needed, the family would need to consider raising more income, cutting expenses or taking a loan

Budget deficit: This occurs when Government expenditure is more than revenue.

Capital Expenditure: This is money spent on major infrastructure projects such as roads, schools, hospitals, bridges, transport, water systems, plant and machinery etc.

Compensation of Employees: This is made up of salaries and salary-related allowances, social security, gratuities etc. paid to public sector workers.

Development Partners (DPs): This refers to countries and/or organizations that partner developing countries to achieve their developmental goals. DPs' can be multilateral, e.g. International Monetary Fund (IMF), World Bank, African Development Bank (AfDB) etc. or bilateral which consists of individual countries like the Germany, United Kingdom, , United States of America (USA), Institute of Fiscal Policy etc.

End Year Inflation: The level of inflation in December of a year in consideration.

Grants: These are types of financial assistance given to Government by development partners and does not have to be paid back.

Grants to other Government Units: These constitute payments that are required by law such as District Assemblies' Common Fund (DACF), Road Fund, Ghana Education Trust Fund (GETFUND), Petroleum Related Fund, National Health Fund etc.

Gross Domestic Product (GDP): This refers to the total value of all goods and services produced in the country over a specific time period.

Gross International Reserves: This measures a country's foreign currency ability to buy goods and services from foreign countries over a period of time; it also supports the strength of the local currency in relation to others.

Inflation: The rate of increase in general price level of goods and services over a period of time.

Interest Payments: Amount of money that is paid on the loans lent to Government.

Loan Repayment: These are monies paid to countries, banks and other financial institutions who have lent money to Government for development projects. These lenders could be from within or outside the country.

Macroeconomic targets: These are measurements used to assess the performance of the economy. Examples include economic growth, inflation, changes in the level of employment, trade performance with other countries, relative success or failure of government economic policies and the decisions made by the Bank of Ghana which affects money demand and supply in the economy.

Non-Oil Real GDP: Is the total output in the economy that excludes the activities in the oil sector which takes into account the level of inflation.

Non Tax Revenue: Government revenue not generated from taxes, examples are fees for granting permit or licenses, user fees and other charges.

Projected Growth Rate: How the Ghanaian economy will grow in a year.

Public-Private Partnership (PPP): This is the coming together of a Government and a private party to implement a project or provide a service which is traditionally performed by Government.

Revenue: This is the total amount of money that Government receives for its activities from both domestic and external sources.

Social Benefits: Government pays subsidies to utility companies and on petroleum products on behalf of the public.

Subsidy: This is a financial relief given by government to citizens to reduce the burden on them.

Transparency: This is when Government provides adequate and timely information for its citizens about what it is doing.

Use of Goods and Services: Amount of money that Government pays for running its operations and for delivering services to the public.

Outstanding Obligations: The outstanding obligations comprise MDA commitments with the Ministry of Finance as well as outstanding 2016 payments to Statutory Funds.

Value Added Tax (VAT): The tax levied as value is added to goods and services at each stage of production.

