



REPUBLIC OF GHANA

# **THE BUDGET SPEECH**

**of the**

**BUDGET STATEMENT AND ECONOMIC POLICY**

**of the**

**GOVERNMENT OF GHANA**

**for the**

**2016 FINANCIAL YEAR**

**presented to**

**PARLIAMENT**

**on**

**FRIDAY, 13<sup>TH</sup> NOVEMBER 2015**

**By**

**SETH E. TERKPER**

**Minister for Finance**

**on the Authority of**

**HIS EXCELLENCY**

**PRESIDENT JOHN DRAMANI MAHAMA**

## **INTRODUCTION**

1. Rt. Hon. Speaker and Honourable Members of Parliament, on the authority of His Excellency John Dramani Mahama, President of the Republic of Ghana, I beg to move that this Honourable House approves the Financial Policy and Budget Statement of the Government of Ghana for the year ending 31<sup>st</sup> December, 2016.
  
2. Again, Rt. Hon. Speaker, on the authority of His Excellency and in accordance with Article 179 of the 1992 Constitution, permit me to present the Budget Statement and Economic Policy for the year 2016 to this august House.
  
3. Mr. Speaker, in accordance with Section 48 of the Petroleum Revenue Management Act, 2011 (Act 815), I also submit the 2015 Annual Report on the utilisation of the Petroleum Funds to this august House.
  
4. Mr. Speaker, this presentation is an abridged version of the 2016 Budget Statement and I would like to request the Hansard Department to capture the entire Budget Statement and Economic Policy.
  
5. Mr. Speaker, in 2012, H. E John Dramani Mahama was elected for his first four-year mandate to lead our dear country. Under his able leadership, the Government has been working tirelessly to transform the economy. We are focused on improving the well-being of Ghanaians by honouring the pledges we made to the good

people of Ghana in the 2012 Manifesto of the National Democratic Congress.

6. Mr. Speaker, notwithstanding the major shocks to the economy in the last three years, Government remained steadfast in pursuing the economic vision of leading the country through a transformational agenda to consolidate our Middle Income Country (MIC) Status. The shocks include disruption in gas supply for two-and-a-half years and the simultaneous fall in cocoa, gold and crude oil prices.
7. We have also remained resolute in our commitment to correcting the major budget overruns which occurred at the end of the 2012 fiscal year. We are implementing several programmes to secure the bright medium term prospects for the economy, notably through substantial investments in the oil and gas sector, among others.
8. Mr. Speaker, 2016 is significant in many respects. The country will go through Presidential and Parliamentary elections. Let me assure this House that the Electoral Commission and other governance institutions will be adequately resourced to ensure the conduct of free, fair and transparent elections. Let there be no doubt; the economy benefits from our peaceful and acclaimed elections. Despite being an election year, let me also reiterate President Mahama's assurance of sustaining fiscal discipline whilst investing

- prudently in infrastructure and social development. We will resist the temptation of election year overspending.
9. Mr. Speaker, the Post-Ho Forum held in Takoradi was successful. In September, for the first time in decades, Government and its social partners, notably Organised Labour and the Association and the Ghana Employers Association led by their Secretary-General and President, respectively, concluded, the national minimum wage and public sector wage negotiations for the 2016 fiscal year ahead of the Budget. The essence of this remarkable achievement is to avoid any compensation related slippages or overruns that could compromise our fiscal consolidation programme. **It is also to shift the focus of the Single Spine Pay Policy to aspects of productivity and improve processes, in the context of the Public Financial Management (PFM) reforms related to payroll and human resource management.**
10. Mr. Speaker, permit me, on behalf of the President and the Government, to express our profound appreciation to this august House for its cooperation and support in the management of the economy. The House demonstrated true partnership in the discharge of its legislative, and oversight functions, including admitting several critical and urgent statements on this floor.
11. Mr. Speaker, the vision and commitment of Government over the medium term is to build a sustainable, prosperous and equitable society, in line with our social democratic agenda. This vision is anchored on the thematic areas of the Ghana Shared Growth and

Development Agenda (GSGDA) II, 2014-2017 and, particularly, on the Government's priority of:

- Putting People First;
- Building a Strong and Resilient Economy;
- Expanding Infrastructure; and
- Ensuring Transparent and Accountable Governance.

12. Mr. Speaker, in our determination to transform the economy, we draw lessons from past experiences of our country's economic journey including some paradoxes:

- despite numerous and unexpected setbacks the country has experienced only positive growth for over 30 years;
- the declaration of HIPC status generated intense debate and many believed it could have been avoided with bold measures. Yet it provided us with fiscal space to help our path to positive growth;
- in contrast with the HIPC experience, it is relieving for this Government to be leading the development agenda that has restored our pride of place among the "African rising" and renaissance Nations.
- the recent setbacks from commodity price shocks did not make us reverse course on consolidation, even as it reminded us of our vulnerability in transitioning to a MIC status;

- we are returning to another growth path and our fiscal performance so far clearly show that we can plan to manage and reverse periodic setbacks and take care of opportunities, as and when they occur.
13. Therefore, Mr. Speaker, our resolve is to manage the transition, setbacks and paradoxes with perseverance and effective planning. Consequently, we now see brighter prospects ahead, mainly from the investments that we have been making in the energy and other sectors of the economy.
14. Mr. Speaker, permit me to recount some of our macroeconomic successes since we began the programme of fiscal consolidation under our "Home-Grown" policies and the IMF programme. In so doing, however, not even the successful first and second reviews under an IMF programme and resultant renewal of confidence will make us complacent:
- there are clear signs that our fiscal consolidation efforts are yielding positive results, making the economy more efficient. Accordingly, the GSS estimates that GDP will grow at 4.1 percent at the end of 2015 compared to the 3.5 percent initially projected; the World Bank and IMF estimate future growth above 7 percent;

- as a result of good revenue performance (including GRA's Compliance efforts), containment of overruns in the wage bill and other spending; as well as withdrawal of energy-related subsidies (except funded cross subsidies), our fiscal consolidation programme is on course with the deficit set to be on target at 7.3 percent;
- for the first time in many years, the domestic primary balance in the first half of 2015 achieved a surplus equivalent to 2.8 percent of GDP, whilst the budget deficit was down to 2.3 percent of GDP, same as the level attained a decade ago.
- The current account deficit as a percentage of GDP has stabilized whilst the foreign reserve position has significantly improved;
- in line with Government's Medium Term Debt Strategy and Debt Management policies, the pace at which we have been accumulating public debt, as a percentage of GDP, has slowed down in the first half of the year;
- This is partly due to the fact that, after some initial implementation difficulties, we are now on course to making the proceeds from commercial and quasi commercial projects, pay fully or partially for the loans that finance them; this will stop the unsustainable habit of relying on the tax payer to pay for all the nation's debt service commitments; and

- in October this year, we issued our fourth sovereign bond which was over-subscribed by US\$1 billion, the 15-year tenor of the bond is the first by any Sub-Saharan African country besides South Africa;
  - In this instance, Ghana is also leading its contemporaries in using a guarantee instrument that the World Bank plans to use to create an asset class for market access by middle income countries;
  - Mr. Speaker, against this background Ghana successfully went through the first performance review, in August 2015, under the three-year Extended Credit Facility (ECF) with the IMF. All performance criteria under the programme for the second review were successfully met and documentation are being prepared for the IMF Board to complete the review in December 2015.
  - Hence, Ghana continues to win the confidence of the business community, Development Partners and of the international financial markets with our efficient management of the economy.
15. Mr Speaker, the achievements so far, are not just macroeconomic. We have made far-reaching and significant investments in all sectors of the economy and these have led to considerable improvements in the lives of our people. These include:



- **Education:** After the success of the "Schools Under Trees Programme", we began the construction of 123 Community Day Senior High Schools (SHS) to provide space for hundreds of thousands of JHS graduates. We have also added two new functioning universities and implemented many other social interventions in education;
- **Health:** The health sector has witnessed massive infrastructure development and retooling in the last few years. Work is ongoing on the construction of new hospitals, including the nearly completed University of Ghana Teaching Hospital and the Ridge Hospital. These will deliver about 6,000 hospital beds by 2017 and guarantee access to better improved healthcare for our people;
- **Water:** Following the huge investments made in the sector, 77.5 million gallons of water per day was added to the generation capacity as at the end of July 2015. By end of 2016, this should increase to 109.7 million gallons per day and will result in a coverage of 76 percent of both urban and rural communities;
- **Roads:** We made significant progress in funding and completing many of the "Gang of six" roads and launched the GH¢3 billion Cocoa Road Improvement Project; we have constructed several kilometres of roads across the country.

These include the Suhum-Apedwa and Kyebi town roads. Recent additions include the Kwame Nkrumah Interchange, the Fufulso-Sawla road, the Kasoa interchange and ongoing work on the Eastern corridor road;

- **Transport:** We are investing in the modernisation and expansion of the aviation and maritime infrastructure. These include the expansion of the Kotoka and Tamale International airports, the aerodrome in Ho, the expansion of the Tema and Takoradi harbours and provision of 116 buses for public road transport. Permit me to note that in line with our new debt management policies, the airport and harbour project are designed on self-financing basis and the buses will use electronic access to protect the revenue;
- **Communications:** We have successfully deployed 800 kilometres of optic fibre infrastructure which runs through 126 communities along the eastern corridor from Ho to Bawku with a link from Yendi to Tamale. The fixed and mobile telephony and internet subscriptions as at August 2015 stood at over 33 million and 17 million, respectively;
- **Housing:** Through a combination of direct government investments and public private partnerships, an aggressive housing programme has been rolled out to provide more Ghanaian families in the lower to middle income brackets with

decent homes. About 18,000 housing units are at different stages of completion.

- **Energy:** We are bringing on stream 845 MW of power to add to the generation capacity by the close of the year and providing the necessary investments and guarantees to permanently address our power generation shortfall that is primarily the result of demand exceeding supply.

16. Mr. Speaker, these investments have not only provided critical social services to improve the lives of our people, they have resulted in the creation of tens of thousands of jobs for the youth and our professional class.

17. Notwithstanding these successes, we are mindful of the fact that some risks to the budget and medium term macroeconomic projections persist and new ones could emerge. The major global and domestic setbacks include:

- the tumbling of crude oil prices to a low of US\$45.0 per barrel compared to a bench mark revenue projection of US\$99.38 per barrel in the 2015 Budget. Mr. Speaker, it will be recalled that this prompted Government to revise its revenue targets and related expenditures that were to be funded from the Annual Budget Funding Amount (ABFA);

- gold spot price is yet to recover and even though cocoa prices are now recovering, prices and output keep fluctuating on the global markets. We have had to sacrifice government revenue in some years to fulfil our commitment to improving the welfare and business needs of our farmers;
- the US economic recovery and appreciation of the dollar, coupled with pressures on our foreign exchange reserves from declining commodity prices, continue to weaken the Cedi, thus making imports more expensive; this is fuelling inflation and increasing the external debt service burden in Cedi terms;
- the global financial uncertainty that hit emerging and peripheral economies, including Ghana, pushed us into headwinds at the time of issuing the 2015 sovereign bond. We managed to navigate the turbulence, and in the process, added to our store of experience. As a Middle Income Country, we will be in the capital and financial markets in both good and bad times;
- concessional terms of some facilities from Bilateral and Multilateral Partners including the WB and AfDB have hardened. The WB, AfDB and other lenders also changed the repayment period of facilities to Ghana whilst interest payments and financial costs have increased (e.g. the repayment period has reduced from 40 to 25 years). They have also changed the basis for calculating loan

concessionality to include commitments and risks of floating exchange rates;

- the disruption in gas supply and the low level of water in the Bui, Akosombo and Kpong dams (due to climate change) continue to pose power supply challenges, reduction in generation capacity and recurring power outages. However, it is now clear that investments in the sector is rapidly changing the situation;
- finally, the recommended overall budget deficit target of 5.3 percent of GDP, under the **IMF Extended Credit Facility (ECF)** programme , provides a tighter fiscal space than anticipated in the original programme. It is against this background that we must even be more prudent in 2016 and avoid the consequential cycle of huge election year budget overruns and deficit. And in this regard, we call on all social partners especially, businesses, employers and organised labour, to support Government.

18. Mr. Speaker, we will focus on these risks and adopt appropriate measures to minimise their likely adverse impacts on the economy. Our approach is not to bemoan our challenges, offer excuses or fail to act decisively. Instead, over the years we have come to this august House with several structural initiatives and strategies to change the way we manage the economy.

19. In particular, the national debt and consequent burden of debt service will continue to rise and stunt public investments, only if we do not emulate the success with which many Middle Income and Advanced countries finance infrastructural, economic and social development on a sustainable basis. To this end, Government will continue to implement the debt management measures that were approved by this House. As noted earlier, as a result of these measures, the public debt is now increasing at a slower pace.
  
20. Secondly, Mr. Speaker, we have always bemoaned our narrow export base and the resultant depreciation of the Cedi when we lose reserves from falling commodity prices. As part of our transformational agenda to achieve an export led economy, the Ghana Export and Import Bank (EXIM) Bill has been laid before Parliament. The primary purpose is to finance export (notably light industrial and agricultural products); guarantee loans; provide export insurance, support SMEs and other businesses, and strengthen our access to markets under economic cooperation programmes such as AGOA and EPA. The operations of the Bank will support the nurturing and growth of the private sector in Ghana to address the longstanding problem of access to credit for expanding exports.
  
21. Rt. Hon. Speaker, the 2016 Budget will build on the foundation laid to restructure and transform the economy towards sustained and inclusive growth; minimise our exposure to volatilities; and

position Ghana to consolidate its status as a Middle Income Country.

22. Furthermore, it is our expectation that the investments by the public and private sectors will permanently transform the sector. These investments, including the emergency power; World Bank PRG for Sankofa field; commissioning of FPSO J.E.A Mills for the TEN fields; and onset of Jubilee Gas contribute to the positive outlook embodied in the theme for the 2016 Budget Statement and Economic Policy: **"Consolidating Progress towards a Brighter Medium Term"**.
23. Mr. Speaker, I will now proceed to present additional key highlights of the 2016 Budget.

## **GLOBAL ECONOMIC PERFORMANCE AND OUTLOOK**

### **Growth**

24. Mr. Speaker, according to the IMF's October 2015 World Economic Outlook (WEO), global growth in the first half of 2015 was 2.9 percent, about 0.3 percent lower than the 2015 April projection, This is due to the lower than expected recovery in advanced countries and a further slowdown in emerging market economies.
25. The end-year global growth target is projected at 3.1 percent, which is 0.3 percent lower than the outturn in 2014. In 2016, global growth is expected to strengthen at 3.6 percent because of recoveries in economic activity in a number of distressed

economies. **Growth is expected to improve at 2.2 percent for advanced economies and 4.5 percent in emerging markets and developing countries.**

26. Mr. Speaker, the October WEO report also indicates that, Sub-Saharan Africa experienced a robust economic growth of 5 percent in 2014 **(driven by strong investment in mining and infrastructure as well as strong private consumption)**. However, this growth will likely decelerate to 3.8 percent by end-2015, mainly on account of recent difficulties in the region including **oil exporting countries, lower demand from the region's major trading partners and the impact of the Ebola outbreak**. Growth is, however, expected to pick up to 4.3 percent in 2016.

### **Inflation**

27. Mr. Speaker, inflation remained largely subdued in advanced economies, mostly reflecting the decline in oil prices and softer prices for other commodities. Average inflation is projected to decline to 0.3 percent in 2015, down from 1.4 percent in 2014, and thereafter rise to 1.2 percent in 2016 in advanced economies. **In emerging markets and developing countries, lower commodity prices including oil and food, have generally contributed to lowering headline inflation, except in countries where large currency depreciations offset the impact of lower commodity prices.** In Sub-Saharan Africa, average inflation is projected to inch up marginally to 6.9 percent



in 2015, up from 6.4 percent in 2014 and further to 7.3 percent in 2016.

### **Commodity prices**

28. Mr. Speaker, in recent months, oil prices have declined significantly on account of strong supply from US gas output and from members of the Organization of the Petroleum Exporting Countries (OPEC). **The excess supply had continued to increase amidst the increasing investments in the sector, leading to the continuous decline in the price.**
  
29. Crude oil prices reached US\$59.82 per barrel in June 2015 and then fell to US\$42.46 per barrel in September 2015. Both prices are lower than our annual Benchmark revenue projection of US\$99.38 per barrel for 2015 which was later revised to US\$57 per barrel. The IMF's October 2015 WEO projects an average crude oil price of US\$51.62 per barrel in 2015, US\$50.36 in 2016, and US\$55.42 in 2017.
  
30. Mr. Speaker, Cocoa prices rose in the second quarter of 2015 partly as a result of weather-related supply shortfalls in Ghana, but demand remains strong. **(According to the Business Monitor International report of October 2015, cocoa prices) are expected to peak in 2015 before lowering in the beginning of 2016 to the end of the forecast period in 2019.** The market is projected to register a small surplus in the 2015/16 season.

31. **According to the ICBC Standard Bank estimates,** Gold prices are generally expected to trend downwards peaking around \$1,160 per ounce in 2016 as the Federal Open Market Committee (FOMC) normalises US monetary policy.

**ECOWAS Trade Liberalization Scheme (ETLS)**

32. Mr. Speaker, the ECOWAS Trade Liberalisation Scheme (ETLS) was set up to enhance the status of the region as a free trade area and also fast track the establishment of a customs union. **It ensures the free movement of originating goods across the territories of member states, without being subjected to any form of tariff or non-tariff barriers.**
33. Under the ETLS, Ghana's exports to the Sub-region has seen a steady increase in recent times. In particular, trade between Ghana and Nigeria increased from about GH¢210.7 million in June 2014 to GH¢365.6 million in 2015. **The ETLS has provided opportunity for Ghanaian exporters of manufactured goods to expand their market share in the community. Since the beginning of 2015, about 18 Ghanaian industrial companies have been given approval to benefit from the scheme. Government will continue to identify local manufacturers to be added onto the scheme.**

## **MACROECONOMIC PERFORMANCE IN 2015**

### **Growth**

34. Mr. Speaker, provisional data from the Ghana Statistical Service show the economy will expand by 4.1 percent in 2015, slightly above the revised growth figure of 4.0 percent recorded in 2014. **The data also indicate that the Industry Sector recorded the highest growth performance among the main sectors, at 9.1 percent, followed by the services sector with a growth outturn of 4.7 percent. Despite the positive growth in the livestock and fishing subsectors, the Agriculture sector recorded 0.04 percent growth on account of a negative growth of the crops subsector.**

### **Inflation**

35. Mr. Speaker, Inflation remained high over the first nine months of 2015 after declining from 17 percent at the end of December 2014 to 16 percent at the end of January 2015. Headline inflation reached 17.9 percent in July 2015 (as a result of exchange rate pressures and pass through effects of utility price adjustments) before moderating to 17.4 percent in October 2015.

### **Broad Money**

36. Mr. Speaker, broad money supply (bank deposits and currency in circulation) grew by 23.3 percent year-on-year in September 2015 compared to a growth of 33.6 percent in September 2014. **The Net Domestic Assets (NDA) went up by 38.7 percent whilst**

**the Net Foreign Assets (NFA) also decreased by 39.7 percent.**

### **Interest Rate**

37. Mr. Speaker, performance of interest rates on the money market were generally mixed. The Bank of Ghana Policy Rate was increased from 21.0 percent in December 2014 to 25.0 percent in September 2015. However, rates on the 91-day and 182-day Treasury bills declined from 25.8 percent and 26.4 percent respectively in December 2014 to 25.2 percent and 25.9 percent in September 2015.

### **Exchange Rate**

38. The Cedi generally weakened against the major currencies in 2015, except for the month of July when it regained some value. In the interbank market, **over the nine month period**, the Cedi depreciated cumulatively by 14.8 percent, 12.6 percent and 7.8 percent against the US Dollar, the Pound Sterling and euro, respectively. **These compared to a much higher depreciation of 31.2 percent, 29.3 percent and 23.6 percent, against the US Dollar, the Pound Sterling and euro, respectively during the corresponding period in 2014.**

### **External Sector**

39. The provisional trade balance showed a deficit of US\$2.3 billion at the end of September 2015, compared to a deficit of US\$710.7 million recorded for the same period in 2014, due to worsening

commodity prices, lower production volumes and the declines in exports.

40. **Mr. Speaker, the country's Gross Foreign Assets (GFA) stood at US\$4.5 billion at the end of September 2015, sufficient to cover 2.89 months of import. It is projected to rise to US\$6.5 billion at the end of 2015, sufficient to cover 4.0 months of imports of goods and services.**

### **Fiscal Performance**

41. Mr. Speaker, the 2015 Budget aimed at reducing the fiscal deficit from 10.2 percent of GDP in 2014 to 6.5 percent. However, due to the decline in crude oil prices, this target was revised to 7.3 percent of GDP in the 2015 Mid-Year Review.
42. Mr. Speaker, preliminary data to end-September 2015 indicates strong revenue performance and containment of expenditures. Fiscal data as at end-September 2015 shows an overall budget deficit on cash basis of GH¢6.7 billion or 5.1 percent of GDP. This was against a deficit target of GH¢7.6 billion or 5.7 percent of GDP. The end-year fiscal deficit for 2015 is projected at GH¢9.7 billion or 7.3 percent of GDP.
43. Mr. Speaker, total revenue and grants for the first three quarters of 2015 amounted to GH¢22.7 billion or 17.0 percent of GDP, against a target of GH¢21.9 billion or 16.3 percent of GDP. The over-performance was mainly due to a strong growth in domestic

revenues, resulting from a healthier economy, ongoing tax administration reforms and new tax policy measures. **In nominal terms, the outturn was 28.2 percent higher than that of 2014. For the year as a whole total revenue and grants is projected at GH¢32.2 billion or 5.4 percent higher than the revised Budget target for the year.**

44. Total expenditure, including payments for the clearance of arrears and outstanding commitments for the first three quarters of the year amounted to GH¢29.47 billion (22.1 percent of GDP) against a target of GH¢29.5 billion (22.0 percent of GDP). The outturn was 0.1 percent lower than the budget target and 18.1 percent higher than the outturn for the corresponding period in 2014. **Total expenditure for the year, including provision for the clearance of arrears and commitments, is projected at GH¢41.9 billion (31.5 percent of GDP) and 4.2 percent higher than the revised budget estimate.**
45. Mr. Speaker, provisional data as at the end of September 2015 indicate that the public debt to GDP ratio is 69.12 percent compared to 70.15 percent at the end of December 2015.
46. On nominal basis, the provisional debt stock as at end-September 2015, stood at GH¢92.2 billion (US\$24.3 billion), compared to an end-December 2014 stock of GH¢79.6 billion (US\$24.8 billion). **External and domestic debt stock as at end-September 2015 was GH¢54.5 billion (US\$14.4 billion) and GH¢37.7**

**billion (US\$9.9 billion), respectively. On a monthly basis, developments in the provisional public debt as a percent of GDP has moved in line with exchange rate developments for the period.**

47. Mr. Speaker, the key lessons from our macroeconomic performance and fiscal consolidation to date include:

- the need to continue building buffers such as the Stabilisation Fund and its derivative Contingency and Sinking Funds;
- the need for budget discipline, notably keeping expenditures within budget allotments;
- continuing to evolve a debt management strategy that will make our investments in infrastructure sustainable;
- protecting social intervention programmes in our quest to anchor our development on inclusive growth; and
- the need to continue to realign expenditures to ensure a judicious balance among compensation, goods and services, debt service, transfers and capital.

## **MACROECONOMIC TARGETS FOR THE MEDIUM-TERM AND 2016**

49. Mr. Speaker, the macroeconomic targets for 2016 are as follows:
- overall real GDP (including oil) growth of 5.4 percent;
  - non-oil real GDP growth of 5.2 percent;
  - an end year inflation target of 10.1 percent;
  - overall budget deficit equivalent to 5.3 percent of GDP; and
  - gross international reserves of not less than 3 months of import cover of goods and services.
50. Mr. Speaker based on the medium term macroeconomic framework, the macroeconomic targets for the medium term (2016-2018) include the following:
- an average real GDP (including oil) growth rate of at least 8.2 percent;
  - an average non-oil real GDP growth rate of 6.9 percent;
  - an inflation target of 8 percent with a band of  $\pm 2$  percent;
  - an overall budget deficit of 3.0 percent by 2018; and
  - gross international reserves which will cover not less than 4 months of imports of goods and services.
51. Mr. Speaker, in addition to the fiscal measures we have been implementing since 2013, the following revenue enhancing and expenditure rationalization measures, among others, will be



reinforced over the short to medium term to ensure the achievement of the nation's fiscal objectives:

- the implementation of the ECOWAS Common External Tariff (CET);
- the implementation of the Income Tax Act, 2015 (Act 896);
- continuing the realignment of Statutory Funds to address the increasing rigidities in the budget;
- alignment of a minimum of 15 percent of IGFs for use by respective sector Ministries and/or umbrella organisations to fund programmed activities; and
- weaning-off of at least four subvented agencies from government subvention.

### **Resource Mobilization for 2016**

52. Mr. Speaker, using the seven-year moving average formula for projecting the benchmark crude oil price for oil revenue estimation as stipulated in the PRMA, 2011 (Act 815), the 2016 benchmark crude oil price is estimated at US\$86.04 per barrel. This is completely above recent crude oil price projections by reputable sources such as ICE/Bloomberg and the IMF. Therefore, consistent with Section 17 of the PRMA (amendment) Act, 2015 (Act 893), we propose an alternative crude oil benchmark price of US\$53.05

- per barrel, in line with the IMF WEO crude oil price forecast for 2016.
53. Total revenue and grants including petroleum for the 2016 fiscal year is estimated at GH¢38.0 billion (24.0 percent of GDP), indicating an 18.2 percent increase over the projected outturn for 2015.
54. Mr. Speaker, total non-petroleum revenue and grants for the 2016 fiscal year is estimated at GH¢36.0 billion, equivalent to 24.1 percent of non-oil GDP representing 17.6 percent increase over the projected outturn for 2015.
55. For the 2016 fiscal year, total receipts from petroleum is estimated at GH¢2.0 billion (1.3 percent of GDP), representing a 15.9 percent increase over the projected outturn for 2015.
56. Domestic revenue, made up of tax and non-tax revenue is estimated at GH¢37.1 billion, 23.8 percent higher than the projected outturn for 2015.
57. Mr. Speaker, total tax revenue is estimated at GH¢29.9 billion, representing 18.9 percent of GDP. **This shows an increase of 22.2 percent over the projected outturn for 2015. Of this amount, non-petroleum tax revenue is estimated to grow by 22.4 percent to GH¢29,311.4 million, equivalent to 19.6 percent of non-oil GDP.**

58. Taxes on income and property are estimated to increase by 27.3 percent to GH¢12.1 billion in 2016, accounting for 40.4 percent of total tax revenue. Of this amount, royalties and corporate income tax from oil is estimated at GH¢560.9 million.
59. Taxes on goods and services are estimated at GH¢11.3 billion, representing 18.7 percent increase over the projected outturn for 2015 and 37.9 percent of the estimated total tax revenue for 2016.
60. **The taxes on goods and services is made up of GH¢7.0 billion for total VAT, while Excise taxes, National Health Insurance Levy and Communication Service tax are expected to yield GH¢2.9 billion, GH¢1.1 billion and GH¢313.6 million, respectively.**
61. International Trade taxes, are estimated at GH¢6.5 billion or 4.1 percent of GDP and 21.7 percent of total tax revenue. **The estimate reflects a 19.5 percent increase over the projected outturn for 2015. The increase is expected to be largely driven by the growth in import duties of 33.7 percent due partly from the impact of the implementation of the ECOWAS Common External Tariff.**
62. Mr. Speaker, Non-tax revenue, comprising mainly fees and charges **by Ministries, Departments and Agencies (MDAs), dividend received from public enterprises and other internally-generated funds (IGFs)** is estimated at GH¢6.9

billion, equivalent to 4.3 percent of GDP and representing 18.5 percent of domestic revenue. **An amount of GH¢3.2 billion is expected to be retained by MDAs for the funding of their activities and the rest lodged into the Consolidated Fund. Of the total non-tax revenue, an amount of GH¢1.5 billion is estimated as non-tax petroleum revenue.**

63. Mr. Speaker, Grants from Development Partners are estimated at GH¢1.6 billion, equivalent to 1.0 percent of GDP. The expected grants constitutes 4.2 percent to the estimated total revenue and grants for 2016.

### **Resource allocation for 2016**

#### **Expenditure**

64. Mr. Speaker, total expenditure, including provision for clearance of arrears and outstanding commitments in 2016 is estimated at GH¢47.1 billion or 27.9 percent of GDP. The estimated expenditure represents 13.2 percent an increase over the projected outturn for 2015.
65. **Of this amount, GH¢2.3 billion or 1.5 percent of GDP and 4.9 percent of total expenditure will be used for the clearance of arrears and outstanding commitments.**
66. Mr. Speaker, Compensation of employees which comprises wages and salaries, allowances, pensions, gratuities and social security

- contributions by Government is estimated at GH¢14.0 billion or 8.9 percent of GDP. Of this amount, GH¢11.7 billion or 7.4 percent of GDP is estimated for the payment of wages, salaries and allowances, while GH¢788.9 million, GH¢222.7 million and GH¢1.3 billion is estimated for pensions, gratuities and social security, respectively.
67. Expenditure on goods and services is estimated at GH¢2.5 billion or 1.6 percent of GDP.
68. Total interest payment is estimated at GH¢10.5 billion, equivalent to 6.6 percent of GDP and 22.3 percent of total expenditure. **Of this amount, GH¢2.2 billion and GH¢8.3 billion represent external interest and domestic interest payments, respectively.**
69. Mr. Speaker, transfers to other Government units is estimated at GH¢9.3 billion. These transfers comprise statutory payments into the National Health Insurance Fund (NHIF), Ghana Education Trust Fund (GETFund), the District Assemblies Common Fund (DACF), Road Fund, Petroleum-Related Funds, transfer to the Ghana National Petroleum Company and retention of internally-generated funds by MDAs
70. **Transfers to the DACF and GETFund are estimated at GH¢2.0 billion and GH¢1.0 billion, respectively.**

71. **The Road Fund is expected to receive an amount of GH¢277.5 million, while GH¢5.9 million will be transferred into the Petroleum-related Fund.**
72. **An amount of GH¢1.5 billion is estimated to be transferred into the NHIF, while GH¢569.5 million from oil revenue, is earmarked to be transferred to the Ghana National Petroleum Corporation (GNPC) for its investments.**
73. Mr. Speaker, a total amount of GH¢6.6 billion is allocated for capital expenditure. About 26.8 percent of the total amount will be financed from domestic sources and the remaining from foreign sources.

### **Overall Budget Balance and Financing for 2016**

74. Mr. Speaker, based on the revenue and expenditure estimates, the 2016 budget will result in an overall budget deficit of GH¢8.4 billion, equivalent to 5.3 percent of GDP.
75. We propose to finance the deficit from both domestic and foreign sources. Net Domestic Financing is estimated at GH¢5.5 billion, equivalent to 3.5 percent of GDP, and financing from foreign sources are estimated at GH¢3.3 billion, equivalent to 2.1 percent of GDP. An amount of GH¢434.4 million, equivalent to 0.3 percent of GDP is estimated to be saved in the Ghana Petroleum Funds, the Sinking Fund and the Contingency Fund.



## **SECTORAL PERFORMANCE AND OUTLOOK**

76. Mr. Speaker, our sector policies focus on infrastructure development including energy, ensuring public safety, promotion of enterprises, education and health service delivery as well as eradication of poverty through social intervention. Permit me to present an update on performance so far in some of the key sectors of our economy and the outlook for 2016.

### **HEALTH**

77. In line with Government's objective of putting people first, we continued to improve on the delivery of healthcare. We embarked on a number of infrastructure projects which are at advanced stages of completion. These include:

- The 600-bed University of Ghana Teaching Hospital which is about 65 percent complete;
- Civil works on the 420-bed Ridge Hospital Expansion Project which is 60 percent complete;
- The Dodowa District Hospital in the Greater Accra region is about 80 percent complete whilst Takoradi, Fomena, Kumawu and Abetifi District Hospitals are between 15 and 35 percent complete;
- the Upper West Regional Hospital is also at 68 percent and is scheduled to be completed in 2016; and



- the rehabilitation and upgrading of the Phase II of the Tamale Teaching Hospital which will increase the bed capacity to 800 to be continued in 2016.
78. Besides servicing the Medical Oxygen Plants for the main surgical theatres at the Korle-Bu Teaching Hospital (KBTH), Government refurbished the Pediatric Operating Theatres, Maternity and Neonatal Intensive Care Units as well as the kitchen.
79. Mr. Speaker, among others, government also completed the Tarkwa District Hospital; the Phase III of the Nkrankwanta, Wamfie, Kwatre, Bomaa and Techimantia polyclinics in the Brong Ahafo Region; and Phase II of Bolgatanga Regional Hospital.
80. High-end medical imaging services were decentralized to the Koforidua, Sunyani, Ridge, Effia-Nkwanta and Cape-Coast regional hospitals whilst a non-invasive kidney stones treatment system was installed at KBTH, Tamale Teaching Hospital and Ridge Hospitals.
81. Mr. Speaker, the Community Health Planning and Services (CHPS) concept remains the main strategy of bringing basic health services to the community level. The Policy was reviewed to make it more effective and a model design for the CHPS Compound was completed. In the medium term government intends to construct 1,600 CHPS compounds spread in all the 10 regions with a good proportion dedicated to maternal and neonatal services over the

medium term. The first phase of 250 compounds will be constructed in 2016.

Mr. Speaker, the National Health Insurance Authority (NHIA) extended the capitation provider payment method to the Volta, Upper East and Upper West regions with beneficiaries of the Scheme selecting their Preferred Primary-care Provider (PPP). The PPP enrolment will be rolled-out across the country by the end of the year.

82. In 2016, the Ministry will continue to focus on bridging equity gaps in access to healthcare services, and ensuring a sustainable healthcare financing arrangements focusing on strengthening the NHIS.

### **EDUCATION**

83. Mr. Speaker, the goal of Government is to transform the quality of education throughout the country and improve access.
84. In pursuit of that goal, the President promised to make secondary education progressively free from the 2015/2016 academic year. We are happy to inform this house that, funding was provided to absorb specific fees for the first term of 2015/16 academic year for 320,488 day students in public senior high schools. The commitment will be sustained within sustainable budget limits.

85. Mr. Speaker, following the relative success of the "Schools Under Trees" Project, we are on course to fulfil our promise to construct 200 Community Day Senior High Schools to improve access and equity in secondary education in under-served districts. Work commenced on the construction of 123 Senior High Schools and. President Mahama has begun commissioning these schools.
86. Government's policy to rebrand Technical, Vocational, Education and Training (TVET) remains a priority. The policy encourage private sector participation as in other areas of education. **Competency Based Training Occupational Standards (CBTOS) were developed and validated for Welding and Fabrication and Mechanical Engineering under the Oil & Gas Capacity Building Project. Under the Development of Skills for Industry Project, about US\$125 million has been disbursed and US\$72 million is being invested in constructing TVET Centres of excellence in 13 institutions across the country. Government of Ghana has also disbursed US\$45 million under the Skills Development Fund.**
87. Rehabilitation and repair of workshops and laboratories including installation of tools were carried out in the Regional Maritime University, Kikam and Takoradi Technical Institutes.
88. Mr. Speaker, in line with our pledge to establish at least one public university in each of our 10 regions, government completed the

construction of the School of Basic and Biomedical Sciences, and a hostel block and staff quarters for the University of Health and Allied Sciences at its new site at Sokode in the Volta Region. President Mahama will next week commission this university. The Bill for the establishment of the University of Environment and Sustainable Development in the Eastern Region was also passed by Parliament. Construction works for the Somanya and Donkokrom campuses of the University will commence in 2016.

89. Mr. Speaker, work is ongoing to fully decentralize education service delivery **in order to bring the governance of education closer to the people and make it more responsive to local needs**. In this regard, the revised Education Service Bill will be submitted to Parliament for consideration and approval.
90. Mr. Speaker, under the MDGs, Ghana attained the goals for Universal Primary Education at the basic education level and this will be sustained through programmes such as the Capitation Grant, payment of subsidy for candidates for the 2015 Basic Education Certificate Examinations (BECE), distribution of school uniforms, expansion of the school feeding programme, among others. These programmes will continue in 2016 as a key element of our social intervention programmes.
91. The maiden edition of the basic education certificate re-sit examination to offer another opportunity for pupils to improve

their results, was held for 1,181 candidates. This was a major policy initiative in the last Budget and we are proud to note that the successful candidates were placed into SHS and Technical Institutes.

92. The Bill on the conversion of Polytechnics into Technical Universities has been finalised and is currently before Cabinet. **Also, an expert panel assessment report has been concluded. It is expected that the Bill will soon be laid in Parliament, paving way for the eventual take-off by September 2016.**

93. Mr. Speaker we will continue to implement measures to improve the rate of teacher attendance, develop standards, core values and ethics for the teaching profession and enhance teachers' ability to adopt effective teaching approaches with a view to improving education quality.

### **Child Rights Promotion, Protection and Development Programme**

94. Mr. Speaker, government launched a Child and Family Welfare Policy to ensure that welfare programmes are designed to prevent and protect children from violence, abuse, neglect and exploitation. This will complement programmes that provide shelter, care, counselling and education to orphans and vulnerable children.

### **Social Protection/Priority Intervention Programmes**

95. Mr. Speaker, under the Livelihood Empowerment Against Poverty (LEAP) Programme, bi-monthly cash grants were disbursed to a total of 116,000 households in 180 Districts across the 10 Regions. Cash grants per head was increased from GH¢36.00 to GH¢44.00.
96. Under the LEAP 1000 project, enrolment of an additional 6,006 beneficiary households was completed in seven and three districts in the Northern and Upper East regions, respectively. About 382 children in Children's Homes, 12 elderly persons in Elderly Homes, 405 lepers in various Leprosaria and 751 persons in Witches Camps also received LEAP grants.
97. In 2016, Government will improve targeting while expanding the LEAP to cover over 250,000 beneficiary households and strengthen the institutional arrangements for social protection. **We will also operationalize the National Target Unit to undertake data collection exercise in the Upper East and Northern regions and develop a Ghana National Household Registry for the regions.**
98. **Mr. Speaker, following the June 3<sup>rd</sup> flood and fire disaster, Government set up an emergency LEAP intervention programme for the victims and disbursed an amount of GH¢3.9 million to support 10,274 households affected by the disaster. Similar donations were made to 1,000 victims of floods in Keta, Osu and Kumasi.**

**FOOD SECURITY AND AGRICULTURE DEVELOPMENT**

99. Mr. Speaker, under the food security and emergency preparedness programme, Government intends to reduce food and nutrition insecurity through modernized agriculture, management of national strategic stocks for emergencies and commercialization as well as the establishment of effective early warning systems.
100. Government continued to improve various seed quality for planting, in order to increase productivity and incomes of our farmers who work tirelessly to feed the nation. As part of the initiative, 200mt of improved rice seed was distributed to 10,000 farmers in the Volta, Northern, Upper East and Upper West regions.
101. Additionally, 77 SAME tractors, 49 power tillers, 20 rice threshers, 11 rice reapers and six rice mills with their respective components were assembled and sold to farmers to boost local rice production. Another 100 units of Cabrio tractors with multi components were assembled for sale to farmers on hire purchase.
102. Mr. Speaker, government is collaborating with a Spanish firm to establish Irrigation Technology Transfer Units (ITTUs) at two agricultural colleges to showcase latest irrigation technology using ground and surface water resources. Through the collaboration, about 7,500ha of land out of a target of 10,046ha was developed

- and cropped under the irrigation and flood recession scheme. This is expected to yield 165,665mt of rice, maize, onions, pepper, tomatoes and leafy vegetables.
103. ***Mr. Speaker, the Ghana Irrigation Development Authority (GIDA) in collaboration with the Ghana Social Opportunities Project also completed the construction and rehabilitation of 66 dams and dugouts for crop production and livestock watering whilst 80 others are on-going for the irrigation of approximately 1,050ha of land. In addition, GIDA provided a 20ha irrigation infrastructure (94% complete) in selected zones in Yendi, Bawku and Wa for farming.***
104. Climate change with attendant erratic rainfall makes irrigation development an imperative. To facilitate and support all year round farming as a response to the erratic rain pattern, detailed design work will begin on the development of modern irrigation facilities (Dam and irrigation canal) in Tamne (Upper east Region), Libga and Nasia (Northern Region), and Mprumem (Central Region) with funding support from EDAIF.
105. In 2016, the Ministry will continue with the irrigation schemes, procure more tractors with components to support Agricultural Mechanization Services Enterprise Centres (AMSECs), among others.



### **Green House Project**

106. Mr. Speaker, Government will establish Green House capacity building and training centres in the country. The Green House capacity building and training centres will be centres of excellence for training farmers, youth, women and agricultural graduates in commercial, modern greenhouse vegetable production.

### **FISHERIES**

107. Mr. Speaker, a number of activities were carried out in the fisheries sector including the production of 126,450,000 fingerlings. **Even though the target of 150,000,000 was not met, it boosted aquaculture production from 38,547mt in 2014 to 46,250mt representing an increase of 20 percent. This resulted in** the reduction of fish imports from 145,910.3mt in 2014 to 102,874.95mt in 2015 with a net savings of US\$38.79 million.
108. In 2016, a Fisheries Nucleus-Out grower Input Support Scheme will be rolled out in 25 fishing communities along the Volta Lake. At full operation, the scheme will increase Aquaculture fish and shrimp production from 46,250mt to a target of 85,000mt. In addition, about 2,252 indirect jobs for women within the fish value chain and 900 direct jobs will be created.
109. Work on the Turnkey Fish Processing Plant at Elmina and the first phase of Fisheries College at Anomabo are almost completed. The

Anomabo Fisheries College in particular will provide skills training in fishing technology, fish disease detection, prevention and control, biosecurity measures and fisheries resource management.

### **TRADE AND INDUSTRY**

110. Mr. Speaker, under the trade development programme, a strategy document was developed to enable Ghana maximize benefits from the implementation of the Economic Partnership Agreement (EPA).
  
111. Government also signed an MOU to expand bilateral trade and investment cooperation under the new US Trade Africa Initiative. The purpose is to strengthen anti-dumping measures to deal with unfair trade practices in line with WTO rules. **Government also engaged in bilateral trade agreements with strategic countries including United Kingdom, Kenya, Belgium, Togo, Vietnam, Chile and the Czech Republic to take advantage of business opportunities as well as encourage foreign direct trade investments.**
  
112. In 2016, under the bilateral cooperation arrangements with UK, Kenya, Belgium and other countries, the Ministry will build capacity to support Ghanaian exporters meet Sanitary and Phyto-Sanitary (SPS) requirements and deal effectively with Technical Barriers to Trade (TBT) in key trading partner markets.

113. **Mr. Speaker, a Made-in-Ghana Logo to serve as a seal of quality and excellence was launched as part of the Made-in-Ghana promotion. The scope of the programme was expanded to include sugar, rice and poultry.**
114. **Under the industrial development programme, government identified shea nut, soya beans, cassava, cotton and groundnut for large scale commercial cultivation to promote the development of adequate agricultural raw material base for local manufacturing activities.**
115. Mr. Speaker, the construction of the Komenda Sugar factory is about 70 percent complete and will become fully operational in 2016. The Ministry through PPP arrangements will establish another sugar factory with irrigation facility in Savelugu in the Northern Region.

### **ENERGY**

116. Mr. Speaker, during the State of the Nation Address, H. E the President promised Ghanaians that he will fix the energy challenges. The promise to deal with the challenges holistically and provide relief to both businesses and consumers is very much on course. The ultimate goal is to expand generation capacity in the context of other oil and gas initiatives.

117. Work on the 110MW TICO expansion, the 220MW Kpone Thermal Power Project, and the first half of the 360MW Sunon Asogli with an installed capacity of 180MW are completed and will be commissioned before the end of the year. The Volta River Authority is expanding the existing 49.5MW Siemens plant by the addition of 38MW which is about 90 percent complete. It is expected also to be completed before the end of the year.
118. Work on the 250MW Ameri and the 225MW Karpower Projects are also progressing steadily and expected to be completed before the end of the year.
119. Mr. Speaker, as we know, Government has secured the MCA Compact 2, worth US\$498.2 million to strengthen the energy sector and make the sector self-sufficient. This is expected to greatly boost private investments, stimulate growth and lead to job creation.
120. Mr. Speaker, the medium term prospect for the energy sector is bright and have started with the coming on stream of the Atuabo Gas Infrastructure Project that is now operating commercially. The plant delivers about 100mmscf/day to thermal plants at Aboadze for power generation. The TEN field (with FPSO Prof. Mills commissioned); the PRG-backed Sankofa field development (with a third FPSO); and likely "full field" Kosmos/Jubilee development IPP projects such as General Electric's Ghana 1000, Sonon-Asogli, etc will all come on stream between 2016 and 2018 to resolve the

constraints and is expected to make Ghana a net exporter of power.

121. At various stages of the "Dumsor" crises, the perception and notion was that Government did not have a plan to tackle the power challenges. These major capital investments show clearly that Government has not been aloof to the problem. We appreciate the impatience shown at various times due mainly to loss of productivity. However, it is important to note that these are complex projects that require delicate designs to avoid flaws and risks. Government will continue to pursue its objective of increasing the installed generation capacity of the country to meet the growing demand for electricity. In this regard, a total of 1,053MW installed capacity is scheduled to be added to the existing capacity.
122. To deepen reforms in the energy sector, Government in August 2014 signed a compact with the Millennium Challenge Corporation (MCC) to provide an amount of US\$498.2 million.
123. It is expected that, the implementation of the Compact will enter into force after a number of conditions precedent have been fulfilled. Government is committed to fulfilling these conditions and, it is anticipated that by the end of December, 2015, most of them will have been met in order for disbursement to begin.

124. Additionally, Government is required to provide a matching fund component of US\$37.0 million as its contribution to the compact. Government is committed to effecting this payment through budgetary allocations mainly from ABFA.

### **WATER**

125. Mr. Speaker to provide potable, adequate and affordable water, government undertook a number of projects. The interventions include:

- The Kpong Water Supply, expansion and rehabilitation works was completed with a capacity to produce 40 million gallons of water per day (MGD) for the Greater Accra Metropolitan Area.
- The Nsawam, Akim Oda and Akwatia water supply expansion projects will add a minimum of 1.63MGD of water to the supply system. In 2016, Government will complete similar on-going projects at Kumawu, Konongo, Essakyir and Cape Coast.
- Mr. Speaker, under the Sustainable Rural Water and Sanitation Project, over 1,000 boreholes were constructed to provide potable water to a number of rural communities and small towns in Central, Western, Northern, Upper East and Upper West Regions. Small town water systems were also constructed in the Northern and Brong Ahafo Regions, among others.

### **HOUSING**

126. Mr. Speaker, phase II of the construction of 368 housing units for the security services is on-going and is expected to be completed in 2016. In addition, construction of 5,000 affordable housing units at Saglemi-Ningo Prampram is on course. Works on the project consisting of 1,502 housing units commenced and will be completed in 2016.
127. The 4,720 government affordable housing units in the Greater Accra, Ashanti, Northern, Upper West and Eastern regions are at advanced stages of completion whilst 72 units which were allocated to the State Housing Company Limited (SHCL) at Borteyman were completed.
128. In 2016, the Department of Rural Housing will continue to undertake the construction of 100 housing units for rural and peri-urban households using improved locally manufactured building materials. The use of indigenous building materials will help reduce construction cost by approximately 30 percent.

### **ROADS AND HIGHWAYS**

129. Mr. Speaker, routine maintenance works were carried out on 4,819km of trunk, 5,063km of feeder, and 5,200km of urban road networks whilst periodic maintenance activities, comprising re-gravelling/spot improvement and resealing works were carried on 9.4km, 252km and 2,400km of the trunk, feeder and urban road networks, respectively.

130. In 2016, routine and periodic maintenance activities will be undertaken on several more kilometres of trunk, feeder and urban road networks. Minor rehabilitation works on 150km of trunk roads, 350km of feeder roads and 100km of urban roads will also be undertaken. Some of the roads to be rehabilitated are:
- Sawla – Wa Road;
  - Kasoa Bypass;
  - Kpone Katamanso and Golf City Area;
  - Winneba-Sanko-Akotsi; and
  - Dalive - Agortaga.
131. Mr. Speaker, work on about 200km of trunk roads and 40km of urban roads will continue within Budget constraints. Some of the key roads programmed for this purpose are:
- Nsawam – Apedwa Road,
  - Kwafokrom – Apedwa,
  - Enchi – Dadieso,
  - Kwame Nkrumah Interchange,
  - Kasoa Interchange
  - Eastern Corridor roads – Asikuma Junction to Nakpanduri.
132. Mr. Speaker, we will continue to sustain improvements in the road sector because of the longer term impacts of road improvements on development, such as increased agricultural production and growth in school enrolment.

## **Transport**



133. Mr. Speaker, the expansion and refurbishment of the Arrival Hall at the Kotoka International Airport (KIA) is 60 percent complete. Additionally, the construction of the southern apron at KIA for eight wide body aircrafts is 95 percent complete. The project will be completed in 2016. The site for the commencement of the construction of Terminal 3 has been handed over to the contractor and the first phase of the upgrading of the Tamale airport will be completed in 2016.
134. The extension of the break water and dredging of berths and basins at the Takoradi Port was completed whilst the construction of a logistics platform for warehousing of materials for the oil fields is 97 percent complete. The project will be completed in 2016.
135. Mr. Speaker, the construction of a jetty to handle bulk cargo vessels and free the berths at the Tema Port is ongoing and will be completed in 2016. Furthermore, plans are far advanced to construct 4 container terminals, an access road from the port to the motor way and expand the motor way from 4 lanes to 6 lanes.
136. Mr. Speaker, it is important to stress that in line with Government's new debt management policy or "smart borrowing" concept, all these transportation projects are self-financing and will be paid from current and new revenues to be generated from the new projects.

137. Mr. Speaker, under the aerodromes/airstrips policy to open up the country for economic activities, H. E. the President cut the sod for the development of an aerodrome in Ho. **Preparatory works for the Wa aerodrome is also on-going for domestic airline operations to commence in 2016.**
138. Mr. Speaker, the Ghana Railway Development Authority is undertaking the re-construction of the Sekondi-Takoradi via Kojokrom section of the Western Line to provide sub-urban passenger rail transport service between the twin cities of Sekondi-Takoradi. The works is about 50 percent complete and will be completed by the end of 2016.
139. Government has directed that the contractors deploy electronic ticketing to secure future revenues to pay for the cost of the project. **Additionally, the Front End Engineering Design (FEED) of the Western railway line was completed.**
140. **Ghana has been ranked first among 23 countries in Africa by the Economic Commission of Africa (ECA) for developing and implementing the National Road Safety Strategy III (2011-2020) and the African Road Safety Action plan within the framework of the United Nations Decade of Action for Road Safety initiative. The implementation of the plan has improved Ghana's road traffic situation over the period. Data for 2014 indicates a 2.21 percent reduction in fatalities from the 2013**

**situation. Provisional data for 2015 indicates a 16 percent reduction in fatalities from the 2014 situation.**

### **COMMUNICATIONS**

141. Mr. Speaker, to bridge the digital gap between the served and unserved/underserved areas of the country, Government completed 40 Information and Innovation Centres including 21 Enhanced Community Information Centres (e-CICs) throughout the 10 regions of Ghana to bring internet access closer to the people.
142. The Rural telephony programme under the Ghana Investment Fund for Electronic communications also continued in several rural communities.
143. Mr Speaker, Government completed the construction of the Secondary Data Centre in Kumasi to serve as a back up to the Primary Data Centre in Accra. The Centre will provide safe and reliable space for data storage for both public and private sector organisations as well as disaster recovery services.
144. Additionally, Government is providing computers for the Computer Laboratories for the ongoing "200 Community Day School Project. In 2016, eight selected tertiary institutions will also be provided with ICT infrastructure, connectivity and applications. The public institutions are:

- University of Ghana
- University of Cape Coast
- Kwame Nkrumah University of Science and Technology
- St. Theresa Training College, Hohoe
- OLA Training College, Cape Coast
- University College of Education, Winneba
- University for Development Studies and
- Sunyani Polytechnic

145. **The Ghana Investment Fund for Electronic Communications (GIFEC) established the National Emergency Call Centre to enable people in distress, easily reach out to emergency service providers through a one stop call centre. This tremendously aided the response to the June 3 Fire and flood Disaster in Accra.**

146. In line with government's new debt management strategy, the Primary Data Centre will generate revenues from hosting services. Similarly, where fees are charged for these services, institutions with IGF will be required to create a revolving fund for maintenance and replacement of parts and equipment.

## **PUBLIC SAFETY**

147. Mr. Speaker, the Ghana Police Service expanded the Police Visibility and Accessibility programme to all regional capitals and selected urban areas. The Service also created 309 police stations, 75 District and 30 Divisional Commands across the country; deployed 1,900 personnel to 186 newly created duty points; and increased their involvement in traffic management and public engagement.
  
148. In 2016, the Service will continue to intensify visibility, day and night patrols across the country, expand the intelligence-led policing with other security agencies to apprehend and prosecute offenders and ensure that peace is maintained before, during and after the 2016 elections.
  
149. Mr. Speaker, Ghana Armed Forces (GAF) continued their surveillance of our borders. They successfully rescued a ship hijacked by pirates off the coast of Nigeria, arrested the eight heavily armed pirates and handed them over to the BNI. Efforts will be made to intensify GAF's operation in this area in 2016.
  
150. Mr. Speaker, GAF sent troops, military observers and staff officers to conflict areas on request by the United Nations. Currently, about 3,000 Ghanaian military of all ranks are involved in peacekeeping across the globe. This exercise will continue in 2016 and in this regard, GAF acquired additional equipment to improve its operational capacity.

151. In 2016, Military Academy Training School (MATS) will train 140 Officers and Men at Foreign Military Institutions and 120 Officers and Men at Local Institutions as well as organise two resettlement and exit training. In addition, 65 Officers at Senior Division and 55 Officers at Junior Division will be trained. A total of 110 officers from the Armed Forces, Sister Security services and MDAs will be trained in Peace Support Operations (PSO).

### **SANITATION AND WASTE MANAGEMENT**

152. Mr. Speaker, under the Community Led Total Sanitation (CLTS) programme, a total of 70,000 people gained access to improved household toilet facilities in seven regions excluding Greater Accra, Western and Ashanti Regions.
153. To further deepen access to improved sanitation, government engaged a number of private sector stakeholders through innovative financing mechanisms to roll out the bio-fill toilet technology at public toilets and toilets in some selected basic schools.
154. Mr. Speaker, the National Sanitation Day campaign which will be continued in 2016, sensitized Ghanaians to address sanitation challenges in cities and towns through clean up campaigns and public education activities. **Seven National Sanitation Day exercises were successfully organized throughout the country.** In 2016, the Private sector will be invited to partner with

government to roll out waste segregation to all MDAs and selected Metropolitan and Municipal Assemblies (MMAs).

155. Two modern Anaerobic Digester Treatment facilities will be constructed under the Greater Accra Metropolitan Area Water and Sanitation Project and four additional final treatment and disposal sites for solid waste will be completed.

## **POLICY INITIATIVES**

156. Mr. Speaker, Government is committed to promoting fiscal discipline through prudent public expenditure management, improved debt management and the implementation of reforms in key areas of the economy.
157. Our middle income status requires the country to rely increasingly on domestic resource mobilization and effective debt strategies to meet its development needs. The pursuit of this agenda takes account of persistent budget deficits; the dwindling access to concessional financing; and domestic resource mobilisation requirements under the Financing for Development (FfD) component of the Sustainable Development Goals (SDGs).

158. Mr. Speaker, over the past three years, we have pursued a number of policy initiatives, including:

- address the macroeconomic and budget imbalances that crystalized at the end of 2012;
- deal with the new challenges of financing our development through a sustainable debt management strategy;
- consolidate our transition to middle income country (MIC) status through deep institutional and structural reforms; and
- enable government deliver on its transformational agenda

159. Mr. Speaker, I would like to present an update of some key initiatives and outline a few new ones for 2016.

### **Membership to the OECD Development Centre**

160. Mr. Speaker, we are glad to inform this august House that, after successfully going through the screening process, Ghana was admitted as a member of the OECD's Development Centre by the Governing Board of the Centre in October 2015. As a member, Ghana stands to benefit from the Centre through participating in the rich development policy dialogues and seminars and implementing recommendations therefrom. In particular the Centre has pledged to assist us with our transition to Middle Income Status.

### **Public Financial Management Strategy**



161. Mr. Speaker, Hon members will recall that as part of the ongoing Public Financial Management (PFM) Reform programme, government promised to develop a PFM Strategy to enhance the efficiency, transparency and accountability of Public Financial Management.
162. Under the strategy approved by Cabinet, we are process of preparing a new PFM Bill to consolidate and codify principles; improve existing processes and ongoing reforms; provide for comprehensive coverage of public sector loans and guarantees; and clarify the roles of public managers, Cabinet, Parliament and other stakeholders.
163. **The new PFM Bill will also provide a comprehensive approach to macro-fiscal management, budgeting, treasury and debt management as well as accounting and reporting for all public funds. The Bill will also address some of the inconsistencies and gaps in the existing PFM laws. It will provide better guidance to public sector PFM practitioners and managers, the public and other stakeholders on issues relating to Government's fiscal policies and budget.**
164. Mr. Speaker, the on-going revenue reforms are an integral part of the PFM reforms. The second phase of the GRA Strategic Plan has started and this will deepen the integration process; segmentation of tax offices to serve the needs of small, medium and large tax payers; and expansion of systems for sharing data between the

Domestic Tax and Customs Divisions. **Measures have been put in place to improve compliance by strengthening internal processes as well as increasing the use of third party information.**

165. As part of the PFM reform programme, government will develop an electronic platform to link up with Parliament to facilitate the exchange of information and increase transparency and accountability in the use of public funds.

### **Tax Policy and Administration**

166. Improvements in the tax revenue effort have been constrained by the fall in commodity prices and power supply challenges that led to a slowdown in the growth of business activity in the economy. Additionally, Ghana has high tax exemptions regime, collection leakages, low compliance, inadequate taxpayer information and weak linkages among public agencies.
167. **Mr. Speaker, to enhance resource mobilization to close the funding gap, government introduced a number of tax policy and administration initiatives. The overarching goal was to create additional fiscal space for sustainable budget expenditures in ways that are more efficient, fairer and better promote good governance. Most of the policies**

**were also to enhance efficiency in tax administration, compliance and increase tax revenue.**

***Tax Identification Number (TIN)***

168. GRA continues to insist on importers providing their TIN and tax office codes for all transactions at the ports and entry points. This will ensure that every importer, exporter and agent will be identified with their domestic tax offices to ensure that they meet all their tax obligations. **Efforts are being made to extend the TIN to other sectors to facilitate the identification of eligible taxpayers.** Eventually, the TIN will form part of the relaunch of a more comprehensive National Identification Number initiative to serve multiple national requirements.

***Sliding Scale Excise Duty***

169. A sliding scale excise duty was introduced to provide an incentive for brewery companies to use local raw materials for the production of beer and malt. After three years, Government has reviewed the policy and is proposing to reduce the scale from 4 bands to 3 bands to improve the efficiency of administration.

***Excise Duty on Tobacco***

170. **Mr. Speaker, to reduce the consumption of tobacco and its related health hazards, Parliament amended the excise duty rate from 150 percent to 175 percent.**

***Review of Tax Laws***

171. As part of the GRA modernization and reforms, the various tax laws were reviewed and harmonized. The Income Tax Act was passed in 2015 to complement the Value Added Tax Act, the Customs Act and the Excise Duty Act. The Revenue Administration Bill will be laid in Parliament in 2016. The accompanying Regulations and Practice Notes are currently under preparation.

***Amendment of National Health Insurance Act***

172. In order to ensure that transfers to the NHIF conform to the taxable base of the VAT Act 2013 (Act 870), the NHIS Act amendment Bill was passed by Parliament.

***Common External Tariff***

173. Mr. Speaker, Ghana continues to work towards the implementation of the ECOWAS Common External Tariff (CET) which is a major platform for the regions's Customs Union **that will facilitate free trade and ensure greater economic integration within the region. Ghana has completed several activities to ensure the smooth implementation of the new regional tariff early next year.** The CET Bill is currently before this august House for consideration.

174. The passage of the Bill will enable Ghana join the other eight countries already implementing the CET. **The CET when implemented would also help address the problem of**

**cross-border smuggling, combat dumping and also bring economic benefits to the people of the sub-region.**

***Review of Tax Exemptions***

175. Mr. Speaker, Government is continuously reviewing the tax exemption regime in the country to create the appropriate fiscal space for development.
176. Various studies have been conducted to estimate the quantum of Ghana's tax expenditure for the 8-year period (2008-2015). For instance a report by MoF/GRA team estimates the average tax expenditure to GDP ratio to be 2.01 percent. The tax expenditure to GDP ratio for 2013-2015 are 1.68 percent, 1.82 percent and 1.98 percent, respectively.
177. The studies also observed that MDAs and MMDAs include tax exemption provisions in contracts as dispensation to businesses and NGOs, without authorisation. Further, they do not effectively verify or audit the exemptions granted.
178. GRA and MoF will reinforce existing measures and implement new recommendations to reduce the negative impact of exemptions on the tax base which also lead to uneven playing fields for businesses and tax payers. These measures include:
- imposing further drastic limits on the use of "permits" to clear goods from our ports;

- improved coordination between MoF and GIPC to make incentives under our tax Laws the prime basis for incentives- this will involve using the Law for additional incentives;
- amendment of all non-tax Laws to limit or eliminate the discretion to grant tax exemptions;
- administrative review of the free zones regime following recent amendments;
- abolition of the VAT relief purchase order and the establishment of the General Refund Account;
- improvement in warehousing practices for exemptions including the licensing of hardware and software integration requirements;
- Customs and Domestic tax office to revalidate all existing exemptions on file leading to a new list and new implementation guidelines from January 2016; and
- Government will progressively use tax credit schemes, including those in Double Taxation Agreements (DTA) instead of granting outright exemptions.

179. Mr. Speaker, henceforth, no MDA should negotiate and conclude contracts that grant exemptions neither should they proceed to Parliament without the necessary review by the Ministry of Finance.

180. The GRA will ensure that all existing and new exemptions have Parliamentary approval as required by the Constitution.

181. Mr. Speaker, for 2016 and the medium term, the following additional general tax administration measures will be implemented to ensure compliance with the Law and assistance to taxpayers:

- Continue to move all processes to an electronic platform and accelerating the shift to a functional form of administration in all tax offices;
- reviewing the current thresholds for classification of persons as large, medium or small to reflect current trends;
- **establishing joint audit/investigation teams with membership drawn from both Domestic Tax Revenue Division (DTRD) and Customs Division to conduct audits and investigations;**
- **intensifying the monitoring of Free Zones Enterprises by rolling out the Integrated Free Zones Unit in line with the 2nd GRA Strategic Plan 2015 - 2017;**
- fully rolling out the excise tax stamp project and implementing the Electronic Point of Sale device project for taxable supplies of goods and services;
- scaling up the use of third party information/data, particularly those from the Ghana Customs Management System (GCMS), TRIPS customs system; and
- **GIFMIS data to follow up on importers and Government suppliers to ensure full accountability in respect of domestic taxes; and**

- Implementing measures to address revenue leakages resulting from illicit financial flows.

182. Mr, Speaker, other policy measures being proposed include:

- **Re-imposition of Excise duty on Cider beer**

**To promote the product as a local and infant industry, the excise duty on cider was fixed at zero percent. After four years of the incentive, local manufacturers have been provided with the requisite policy support to compete effectively. Therefore, there will be a re-imposition of an excise duty rate of 17.5 percent on cider.**

- **Review of Income Tax Threshold Bands**

Mr. Speaker, the personal income tax has been used as a major tool for equitable distribution of income and provide relief for low income earners. To continue achieving this this goal, in real terms, the existing minimum income exempted from income tax will be increased from GH¢1,584 to GH¢2,592.

- **VAT Threshold**

Mr. Speaker, a new threshold of GH¢200,000 is being proposed to reduce the number of VAT registered persons. The goal is to improve VAT administration and ensure that only large and medium taxpayers who are more capable of complying with



VAT accounting and invoicing requirements, are mandatorily required to be registered for the VAT.

- **General Refund Account**

The General refund account which is 4 percent of GRA collections will be increased to 6 percent to make the tax system (notably VAT) efficient.

### **National Single Window**

183. Mr. Speaker, in September 2015, Government introduced the National Single Window Project to;

- reduce the time and cost of Customs clearance and in general that of doing business in the country;
- put all customs operations, notably classification, valuation and inspection, under the GRA; and
- improve government revenue through the harmonization and simplification of international trade processes and procedures.

184. The first phase of the Project has been completed. This includes the takeover of the core functions and allied services of valuation, inspection, classification and risk management from the Destination Inspection Companies by the Customs Division of the GRA. The completion of this phase also places Customs practice within the World Customs Organization's recommendation of separating core customs operations from support services. The full deployment of the Customs Pre-Arrival Assessment Report System

has been successfully executed and we commend all stakeholders for their cooperation.

185. Government will impose sanctions on Agents and Declarants who feed the Customs Classification and Valuation Report system with fictitious information in an attempt to defraud the state.
186. Mr. Speaker, the second phase focuses on the full integration or interface of all services related to customs clearance with the National Single Window. A blue print will be developed for the implementation of the National Single Window.

### **Non-Tax Revenue**

187. Mr. Speaker, the Non-Tax Revenue/Internally Generated Funds (NTR/IGF) performance has been growing at an annual average rate of 22.7 percent over the past three years. Government will continue to implement a number of initiatives to streamline IGF collection, accounting and reporting.
188. The objective is to increase the scope and quality of service delivery, and gradually reduce the dependence of subvented organizations on GOG. To this end Government will:
  - Wean-off the Driver and Vehicle Licensing Authority (DVLA); Environmental Protection Agency, Energy Commission, Data

Protection Commission, Gaming Commission and Securities and Exchange Commission. These agencies have been identified to be commercially viable and can contribute to the growth of IGF and national revenue through restructuring. The goal is to add more institutions to the list.

- **In 2016, Government will engage more Agencies with the view to changing the institutional, administrative, legal and regulatory arrangements on NTR/IGF mobilization and management.**

189. Mr. Speaker, relevant provisions will be introduced in the new PFM Law to address IGF processes relating to budgeting, accounting and auditing. It will include the rational for retaining specific ratios of non-tax revenues as IGFs.

Mr. Speaker, in the short term, Government will create a revolving fund equivalent to about 15 percent of IGF retention to address issues such as maintenance and replacement of equipment; loan repayment under on-lending, equitable use of IGFs across sectors; and targeted social intervention programmes.

### **EXPENDITURE MANAGEMENT INITIATIVES**

The goals of expenditure management includes exercise of fiscal prudence, keeping expenditures within budget and cash ceilings; non accumulation of arrears and completion and containment of ongoing projects within current budget allocations

### **Sustaining the New Pay Policy**

190. Mr. Speaker, seven years into the implementation of the Single Spine Pay Policy (SSPP), **particularly the Single Spine Salary Structure (SSSS)**, distortions and inequities **that characterized public service pay administration** have largely been addressed. The process has also led to the abolition of over 123 different salary structures and 50 allowances in the Public Service. These have impacted positively on fiscal management.
191. **Government remains committed to the implementation of the policy and is pursuing measures to eliminate leakages in the payroll system.**
192. **Mr. Speaker, as noted for the first time in many years, negotiations on the determination of both the National Daily Minimum Wage and the Base Pay on the SSSS was concluded before the finalization of the Budget.**
193. Mr. Speaker, Government also made some progress in the following areas:
- **Market Premium:** Government undertook a Labour Market Survey to determine critical skills that qualify for market premium in the public sector. The basis for this study is to abolish the payment of Market Premium as a mass allowance scheme. **The report on the Survey is currently being reviewed to ensure a successful implementation.** We will provide an update on decisions that will be taken by Cabinet.

- **Categories 2 & 3 Allowances:** To streamline and bring fairness in the administration of allowances in the public sector, Government has successfully concluded negotiations with Organized Labour to facilitate the implementation of Categories 2 and 3 allowances in 2016. The implementation of these allowances will be guided by administrative instructions developed by MoF in collaboration with the FWSC.
- **Book and Research Facility:** In order to encourage and support research in tertiary institutions government is reviewing the system of payment of Book and Research allowances to replace it with the Tertiary Education Research Fund. To this end, a draft bill for the establishment of the Tertiary Education Research Fund is before Cabinet and will soon be laid in Parliament.

### **Payroll Management**

194. Mr. Speaker, to ensure efficiency in salary administration, work is ongoing to ensure that the Integrated Personal Payroll Database (IPPD) interfaces seamlessly into the Ghana Integrated Financial Management and Information System (GIFMIS). In 2013, an Electronic Salary Payment Voucher System (e-SPV) and Electronic Pay Slips were also introduced as part of a major step in controlling payroll costs. **The equipment and software were installed and deployed in eight regions (Greater Accra, Ashanti, Brong Ahafo, Northern, Upper East, Upper West, Central**

**and Western).** The roll out to the remaining two regions (Eastern and Volta Regions) will be completed by the end of the year. A post implementation review will be undertaken in 2016 to consolidate the gains made as part of the GIFMIS phase two reforms.

195. Mr. Speaker, Government will manage the impact of the compensation bill in 2016 by the continuing the implementation of the following measures:

- **Electronic-Payroll Input Forms (e-Forms):** In 2016, CAGD will replace the manual payroll input forms with electronic input forms to speed up processing of entitlements; reduce cost of printing; and enhance the audit trail. **CAGD will also continue to ensure that all the relevant approval levels, as existing in the various MDAs, are maintained on the platform to prevent abuse.**
- **Interfacing Payroll Database with SSNIT Biometric data:** The process of interfacing the payroll database with the SSNIT biometric database to facilitate regular validation and update of the payroll database was started and will be completed in 2016.
- **Nationwide Pension Payroll Head Count:** To ensure credible payroll database, Government will undertake a

nationwide pension head count to validate the pension database in 2016.

- **Enhancing control and oversight:** In 2016, the Public Services Commission (PSC) will begin to exercise oversight responsibility for HR functions associated with the payroll. These include the establishment of new posts, recruitments, promotions and inputting data of new employees unto the payroll. **In this regard, a draft legislative instrument that clearly spells out the procedures of recruitment, promotion, replacement and reengagement of staff will be submitted to Parliament for enactment.**
- **The progressive roll out of the Human Resource Management Information System (HRMIS):** The first phase of the HRMIS will go live in 2016, and it is envisaged that, by the end of the year, all MDAs on the Controller and Accountant-General's Department Payroll will be rolled onto the system.

### **CASH MANAGEMENT**

196. Mr. Speaker, **to effectively manage public expenditure and make funds available in a timely manner to meet planned expenditures,** a number of Policy initiatives are being undertaken to strengthen the cash management system. These include the B-Tracking, e-Travel Card, e-Fuel Card, and the Treasury Single Account.

- **B-Tracking and e-Monitor System**

Mr. Speaker, CAGD is developing a platform which will provide real time visibility of all Government accounts with BoG and the commercial banks. This will facilitate the monitoring of GoG revenues deposited in transit accounts with the commercial banks. **It will also ensure prompt transfer of such revenues to the designated GoG accounts at Bank of Ghana, reduce the cost of borrowing by the Government as well as facilitate the transfer of VAT on financial services from the Commercial Banks to BoG. The system has been installed and the training of staff has commenced towards full implementation in 2016.**

Similarly, an electronic monitoring system, E-Monitor, which was deployed on pilot basis by the CAGD to monitor and track revenue collections by selected MDAs in the Greater Accra, Ashanti and Western regions will be replicated to the regional and district offices of the MDAs in 2016.

- **e-Travel Card**

Mr. Speaker, government is developing a credit card system known as the e-Travel Card for use by officials who travel outside the country on assignments. The purpose is to minimise risks, provide security and ensure effective management and accounting for advances granted to them. **Funds required for the travel will be loaded on the card and will be accessed by the officials at ATMs and Point of Sale**



**Terminals. The platform will eliminate the risk of carrying bulk cash and provide better security and record keeping. The system is being piloted with MOF and CAGD after which it will be rolled out to all agencies that subsist on government funds.**

- **e-Fuel Card**

Mr. Speaker, a platform to administer and manage fuel allocation to government officials through an electronic fuel card (e-Fuel Card) is also being developed by CAGD. The card is to replace the current fuel coupons system **and will be used at designated filling stations across the country. The system will be piloted with MOF, CAGD and selected MDAs after which it will be rolled out to all agencies that subsist on government funds.**

- **Treasury Single Account**

Mr. Speaker, the CAGD has developed a Treasury Single Account (TSA) Strategy document with the view to unifying the structure of government bank accounts. The purpose is to consolidate and optimize utilization of cash resources. **The TSA is a set of linked bank accounts through which government recognises all its receipts and payments and obtains a consolidated view of its cash position at the end of each day.**

**The implementation of the TSA commenced in 2013 following the signing of the Loans and Fiscal Agency Agreement with Bank of Ghana (BoG). As part of the implementation, Government embarked on an exercise to rationalize GoG accounts with the aim of closing dormant accounts.** As at September 2015, about 11,500 bank accounts had been identified, out of which 5,500 are held at BoG and 6000 at Commercial Banks. Out of the 5,500 accounts at BoG, 3,160 have been closed, 700 have been set up under the GIFMIS, whilst a decision will be taken soon on the remaining 1,640. Efforts are also being made to streamline the 6,000 held by Commercial Banks.

197. Mr. Speaker, under the LEAP Programme an electronic payment system was piloted in three zones to ensure timely and efficient transfer of cash to beneficiaries. The system will be deployed in 2016 and the use of electronic devices extended to the school feeding programme under the Ministry.

#### **DEBT MANAGEMENT**

198. Mr. Speaker, Cabinet approved the Medium Term Debt Management Strategy (MTDS) for 2015-2017 to set policies for debt and fiscal sustainability, and ensure that Government's financing needs and its payment obligations are met at the lowest possible cost over the medium to long term. It also provides guidance for cost-efficient access to the international and domestic

capital markets, including any risks identified in the debt portfolio. Progress made on implementing the strategy include the following:

- **On-lending and Escrow Arrangements**

Mr. Speaker, Government has made significant progress in ensuring that loans signed or guaranteed for SOEs and MDAs for commercial projects are matched with on-lending agreements to ensure recovery.

**In 2016, government will continue with the on-lending and escrow mechanism for commercial projects including State Owned Enterprises (SOEs) projects to ensure that we move from sovereign guarantees to project-based financing guarantees for debt sustainability.**

- **Sinking Fund**

Mr. Speaker, to manage the orderly redemption of sovereign bonds and other foreign and domestic debt instruments, the Sinking Fund Account has been set up and is receiving funds from excess over the cap of the Stabilization Fund. The fund will form the basis for spreading repayment of both principal and interest. The goal is to minimise the roll over risk associated with Treasury Bills, Domestic bonds and Eurobonds on which we pay only interest.

- **Interest Rate Hedging**

Ghana has a sizeable stock of external debt with floating interest rate. The volatility of LIBOR and flexibility of other

interest rates could affect debt service costs. Over the past few years, LIBOR have been at historic low rates, **thereby benefiting the country in terms of low interest cost.** However, based on recent signals from the US Federal Reserve amid the growing strength of the U.S. economy, there are indications that the LIBOR rate will start rising, exposing Ghana to higher interest rate risk. The consequential impact on Ghana's debt servicing could be worrisome. To mitigate this risk, we intend to revisit the interest rate proposals that have been submitted to Parliament already. It makes use of swap arrangements to allow for enhanced predictability of debt service.

- **Sovereign Guarantees**

Mr. Speaker, Government will continue to encourage SOEs and SPVs to borrow on the strength of their own balance sheet. This approach does not only ensure the efficient running of these SOEs but also removes the need for Government to backstop SOE payment default in purely commercial agreements. It prevents the situation under which SOE debt increases the State's contingent liability and potentially, when they crystalize, add to public debt stock. At the moment, due their weak balance sheets, all SOE guaranteed debt are added to the public debt.

- **Partial Risk Guarantee (PRG)**

Mr. Speaker, Government is also moving to a project financing approach. It is in the light of this that Government is leveraging its IDA resources to provide underlying security for critical projects through the World Bank's Partial Risk Guarantees (PRGs) mechanism. A case in point is the use of PRG in the sum of US\$700 million (i.e. US\$150 million of the State's IDA envelope) to mitigate the State's performance risks in the Sankofa-Gye Nyame project. It is important to note that PRG is second in a waterfall that starts with an escrow arrangement.

**Government, as part of its debt management strategy, intends to use this approach to select projects on a competitive and secured basis, with the aim of reducing the State's financial exposure in purely commercial projects.**

### **Eurobond Issue**

199. Mr. Speaker, in July 2015, this House approved the issue of up to US\$1.5 billion on the International Capital Market. In spite of difficult market conditions, Government secured US\$1 billion Eurobond at a coupon rate of 10.75 percent with a maturity of 15 years. The bond has a soft amortizing structure, to be repaid in three instalments of US\$333 million in 2028 and 2029, and US\$334 million in 2030.
200. The 2015 issue is the fourth Eurobond, and was oversubscribed to the tune of US\$2 billion, of which US\$1 billion was accepted. Similar

to the three previous issues, the 2015 bond had many new investors participating in the transaction, thereby expanding Ghana's investor base. The bond was backed by a World Bank guarantee and the entire amount will be used to refinance our domestic bonds.

201. To the best of our knowledge, Ghana became the first sub-Saharan African country outside South Africa to issue a 15-year bond. The International Development Association partial risk guarantee of US\$150 million enabled Ghana to borrow on reasonable terms in a rather turbulent global market. More importantly, it establishes an asset class for use by MICs for years to come
202. **The bond issuance is in line with Ghana's new debt management strategy guided by the principle of financing capital expenditures with long-term debt and using a sinking fund mechanism for the smooth redemption of maturing debt obligations.**
203. Mr. Speaker, we have gained enough experience from this bond issuance and will help in our MIC preparations. We expect that the relative success of our fiscal consolidation to date under both the Home Grown and IMF programme, will aid this process through regaining our marketing status.
204. Mr. Speaker, previously, debt management strategies were prepared after the budget has been approved and published. This

adversely affected the linkage between the budget and the financing strategy. Going forward, Government has integrated the MTDS in the budget process. In this regard, the 2016 Budget takes into account the Medium Term Debt Strategy.

## **Financial Sector**

### **Capital Market Development**

205. Mr. Speaker, Government stated in the 2015 Budget Statement and Economic Policy its intention to use the book building approach in allocating issuance on the domestic capital market similar to the approach used for the Eurobond on the International Capital Market.
206. This approach is to promote a more active engagement between Government and its Book runners as well as large institutional investors such as pension funds, insurance companies and mutual funds. Preparatory activities are advanced and we expect the first issue using the book building approach to be rolled out by the end of this year.
207. **Mr. Speaker, as part of measures to enhance secondary trading of all fixed income securities, Government has established the Ghana Fixed Income Market (GFIM). The market is expected to ensure greater efficiency, better price discovery, increased liquidity and greater transparency. A Governing Committee has been**

**constituted to exercise oversight responsibility for the secondary trading of fixed income securities.**

**Dormant Assets Scheme**

208. Mr. Speaker, preliminary evidence indicates that significant amount of assets lie unclaimed. These include dormant bank accounts and unclaimed dividends, interest payments, pensions and insurance benefits. There is currently no regulatory framework to govern the management of this large pool of assets which represents a significant portion of private savings in the economy and which are often forgone without a structure to consciously trace the beneficiaries or beneficiaries next of kin.
209. Members will recall that, in 2007, the Government of the day announced an unclaimed assets initiative which was not implemented. In 2016, government intends to revisit the initiative with a view to implementing a Dormant Asset Scheme by the end of the year.
210. Mr. Speaker, the implementation of this scheme will be based on very sound principles that will respect the perpetual right of the lawful owner of an asset to receive the fair market value of the asset at any point in time. In this regard, the scheme will proactively trace beneficiary owners and will provide for the sound investment of scheme asset. We propose to secure Cabinet



approval for an interim plan, pending a more comprehensive system that may require legislation.

### **Sovereign Wealth Fund (Fiscal Trust)**

211. Mr. Speaker, Government owns a significant amount of assets ranging from equity interest foreign assets and those in commercially-oriented companies, state-owned enterprises and domestic physical assets such as land and real estate. Many of the assets are badly managed and frequently not properly accounted for. Consequently, the State has been unable to realize the full value of its assets.
212. In order to create better value for the State, Government will explore the consolidation of significant commercial assets under sovereign wealth fund or fiscal trust that will be managed at arm's length. Such a structure will bring professional expertise and market-based principles into the management of State assets. To avoid duplication, the scheme will take account of the fact that GIIF is a form of sovereign wealth fund that focus on investment in specific assets.

### **Infrastructure Development Initiatives**

213. Mr. Speaker, Government recognises infrastructure development as a key ingredient in the country's transition and development agenda. **Having attained a MIC status in 2010, conscious**

**efforts are being made to expand, upgrade and modernize our social and economic infrastructure, with the aim of closing the wide infrastructure gap, estimated at about US\$1.5 billion per annum.**

214. Over the past three years the following initiatives have been implemented.

- **National Infrastructure Plan**

A draft National Infrastructure Plan has been developed by the National Development Planning Commission (NDPC) in collaboration with the Ministry of Finance. The plan will link naturally to the Public Investment Management System (PIMS) that the MoF is launching as part of the GIFMIS-Budget system.

- **Public Private Partnerships**

- Government has also adopted the PPP approach to financing infrastructure development, following Cabinet's approval of the Policy, a PPP Bill is being finalised to be laid before Parliament. The feasibility studies have been conducted on at least 18 PPP projects whilst a number of them are at various stages of completion.

- **Ghana Infrastructure Investment Fund (GIIF)**

Mr. Speaker, the GIIF, was set up as a quasi-fiscal body to deal with the huge infrastructure deficit and to focus on strategic infrastructure that will stimulate the growth of the economy and

lead to job creation following the passage of the Ghana Infrastructure Investment Fund Act, 2014 (Act 877).

The Board and the Advisory Council of the GIIF as well as management are in place. In addition, a GIIF Debt Service Account has been opened at the BoG for designated domestic and sovereign debt.

The Ministry of Finance is in the process of transferring projects that are commercially viable to the GIIF for management. Proposals have also been submitted to the GIIF Board to finance a number of fuel tanks as part of the strategic steps in the decentralisation of petroleum prices.

Under the proposal approved by Cabinet, for construction of the Airport City (Phase II), the land rights will be vested in GIIF- which will then enter into appropriate commercial arrangements with the developers.

### **Restructuring of the Power Sector**

215. Mr Speaker, we need to reform our energy-related SOEs to position them for the emerging oil and gas era and align with programmes and instruments such as the WB PRG, MCC Compact II and IPP investments. **These will not materialise until we have healthy and functional SOEs that run on better organisational, operational, technical and financial best practice.**

216. Mr. Speaker, Government is fully committed to addressing the power sector challenges and in particular has taken note of the issue of legacy debts as a major drain on the potential of the state to realise its objectives. **The magnitude of the debt overhang continues to weigh down heavily on the sector's potential and need a well-capitalised, efficient and cost-effective petroleum and power utility sector to anchor our economic transformation.**
217. As an important first step towards resolving the problem, in August of this year, Cabinet authorized Ministry of Finance, Ministry of Power, and the Public Utilities Regulatory Commission (PURC) to seek proposals for the appropriate funding structure to put the sector on a sound financial footing.
218. The process, which is on-going, has resulted in the need for a comprehensive review of utility prices and tariff structure. **An earlier study leading to the liberalisation of petroleum prices established the need for a new pricing structure for that product. Therefore, it is important to put in place credible restructuring plans that encompass a reformed, fair and market-responsive pricing structure to ensure that the sector does not slip back into a position of weakness.** Therefore, as part of the overhaul of the pricing structure, we propose, among others, mitigation and debt redemption levies to be used to support the debt restructuring and pricing regime.

219. **Government will continue the investments in the energy and power sectors to boost 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.**

### **FISCAL DECENTRALIZATION**

220. Mr. Speaker, the implementation of Ghana's Intergovernmental Fiscal Framework (IGFF) is on course. This is part of the PFM reform programme to empower District Assemblies in the discharge of their responsibilities for enhanced governance, improved service delivery and local economic development.
221. Mr. Speaker, government began consultations to review a 2008 draft local government finance bill to provide a comprehensive law to guide MMDAs to raise private capital, enter into partnership ventures and mobilize other financial resources. In 2016, the Bill will be presented to this House for consideration and approval.

### **OTHER INITIATIVES**

#### **National Identification Initiative**

222. Mr. Speaker, in 2011, the Office of the President established a committee to address the implementation challenges of the National Identification system. The recommendations of the committee could not be fully implemented for various reasons

**including the existence of parallel identification systems. Recent developments point to the need for a unique and comprehensive national identification system which, among others, absorbs existing identification systems including Tax Identification Numbers, voter identification numbers, and Public sector employee identification numbers.**

223. Consequently, the Office of the President has directed a re-launch of the national identification numbering system which will address the weaknesses in the current identification system.

#### **Job Creation/ Youth Employment Initiative**

224. Mr. Speaker, the National Employment Policy was launched with focus on the employment of youth, women and the vulnerable. Subsequently, the Youth Employment Act, 2015 (Act 887) was passed with dedicated funding sources. Under the Community Improvement Programme, a total of 100,000 youth will be engaged in six different areas, namely:
- Waste and Sanitation;
  - Security Services;
  - Community Teaching Assistant;
  - Community Health Assistant;
  - Youth in Afforestation; and
  - Youth in Apparel.

225. In addition, the Youth Employment Agency will collaborate with the National Vocational Training Institute (NVTI) to organise certificated courses for JHS/SHS graduates in carpentry, masonry, tile laying, aluminium fabrication and hairdressing. The programme will also target young girls and women, including "Kayayes". The graduates will be provided with the requisite tools to enable them start their own businesses. Additionally, we are collaborating with the Ghana Federation of the Disabled to engage 1,000 physically challenged persons in gainful employment.
226. Mr. Speaker, these are targeted initiatives. Ultimately these job creation opportunities are embedded in our public investment programmes (e.g. roads, energy and housing) and support for the private sector.

## CONCLUSION

227. Rt. Hon. Speaker, in conclusion, I wish to emphasise that under the able leadership of President John Dramani Mahama, we have acted decisively to address significant economic challenges and implemented socio-economic programmes with the view to **"Changing Lives and Transforming Ghana"**. The interventions outlined in this Budget will no doubt contribute significantly to the realisation of our brighter medium term prospects.

228. Indeed, we have produced tangible results in the following broad areas:

- strategically encouraged investment in agriculture in order to reduce the importation of rice and poultry in particular to save our currency from dipping further and also implemented other measures to stabilize the Cedi;
- improved upon our road, rail and aviation networks; expanded access to potable water throughout the country; expanded and upgraded our ports to improve service delivery and handle more cargo; improved upon our ICT infrastructure; and provided quality affordable housing; provided decent office accommodation for Honourable members by completing the refurbishment and inaugurating the Job 600;



- we have expanded emergency services; and improved upon regulation of the sector; we have and will continue to **improve health service delivery** by constructing, expanding and upgrading of teaching, regional and district hospitals as well as polyclinics, CHPS compounds;
- in our resolve to eradicate schools under trees and **improve access to education**, we have replaced 1,714 out of 2,578 schools under trees with decent accommodation and facilities; started the implementation of the progressively free SHS; procured and distributed free school uniforms and other educational materials; and expanded the school feeding programme which will continue in 2016;
- we are expanding and upgrading the **power** generation system, transmission and distribution networks to completely address the perennial supply challenges we face as a country as well as exploiting renewable energy sources;
- we have expanded the **LEAP programme** to cover over 190,000 households and the cash grant per head increased from GH¢36.00 to GH¢44.00. The programme will be expanded in 2016 to cover 250,000 households;
- we continued to invest in **human capital** and increased access to vocational training for the old and young alike; developed a Human Resource Policy Framework and Manual

to improve human resource management and development in the public service; improved the Performance Management System; and introduced a comprehensive Human Resource Management Information System to improve performance and productivity in the Public Service;

- we have strengthened public protection of our citizens and improved upon general **security** in the country. We will ensure that human lives and property are protected before, during and after the 2016 general elections;
- as part of the wide ranging **structural reforms** hinged on our "Home Grown Policies" and consolidated by the IMF programme, we have commenced the process for the preparation of the new PFM Bill to strengthen our Public Financial Management reforms and system;
- we are taking steps at bolstering our **infrastructure** by setting up the GIIF to take on huge but economically viable capital infrastructure that cannot be sustained on the budget;

229. Mr. Speaker, the 2016 budget is about following through the transformational agenda of the Government with strategic action. Having assessed the global and domestic challenges facing our economy, we have explored the opportunities and taken bold steps at bracing the storm.

230. We cannot sustain these developments and move confidently to a MIC status in a business as usual way. We are being creative and innovative.
231. We have taken our vision of "**Changing Lives and Transforming Ghana**" from the drawing board to the real world, where each strategy is being applied, appraised, adjusted and advanced to ensure that our actions produce the desired results. We have laid foundations to move forward as a country to succeed on many fronts.
232. Mr. Speaker, we are clearly on track to achieving our goals and the evidence justifies our bold new approach. The results are crystal clear and we are committed to consolidating the gains towards a brighter future as embodied in the theme for the Budget "**Consolidating Progress towards a Brighter Medium Term**".
233. In 2016, we will be seeking another mandate to continue leading the on-going development process of our beloved country. We will stand proudly before our people with confidence in our choices and results achieved so far, and we will ask once again for their mandate and cooperation as we move forward to complete the job we started together.
234. Mr. Speaker, the Government will require support from this august House and cooperation of the good people of Ghana as we are

resolute in our drive towards providing a better Ghana for us all. We believe that this budget provides yet another opportunity for all of us to work hand in hand to achieve the objectives we have set for ourselves.

235. Mr. Speaker, the Black Stars will be playing Comoros today. I have had the singular honour of presenting my Budgets to this House on days that the Black Stars are playing crucial matches. As in the past two years, I trust that they will emerge victors, given, the quality of the team and especially knowing the enormous support they enjoy both locally and abroad. In that same vein, we will require the unrelenting support of all Ghanaians as we move into 2016. God bless the Black Stars. God Bless Ghana.

236. Mr. Speaker, I so move.