REPUBLIC OF GHANA

THE BUDGET SPEECH

of the

BUDGET STATEMENT AND ECONOMIC POLICY

of the

GOVERNMENT OF GHANA

for the

2015 FINANCIAL YEAR

presented to

PARLIAMENT

on

WEDNESDAY, 19TH NOVEMBER 2014

By

SETH E. TERKPER

Minister for Finance

on the Authority of

HIS EXCELLENCY

PRESIDENT JOHN DRAMANI MAHAMA

SECTION ONE: 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 of the Government of Ghana for the year ending 31st December, 2015.

2. Similarly, Rt. Hon. Speaker, on the authority of His Excellency, John Dramani Mahama, President of the Republic of Ghana, and in accordance with Article 179 of the 1992 Constitution, permit me to present the Budget Statement and Economic Policy for the year 2015 to this august House.

3. Mr. Speaker, this presentation is an abridged version of the 2015 Budget Statement and I would like to request the Hansard Department to capture the entire Budget Statement and Economic Policy.

4. Furthermore, Rt. Hon. Speaker, in accordance with Section 48 of the Petroleum Revenue Management Act, 2011 (Act 815), permit me to present the 2014 Annual Report on the Petroleum Funds to the House.

5. It will be recalled that, exactly a year ago, precisely on Tuesday 19th November 2013, I had the privilege of presenting the 2014 Budget Statement and Economic Policy of the Government to Parliament. Subsequently, on Wednesday, 16th July, 2014, I presented the Mid-Year Review and Supplementary Estimates to the 2014 Budget to you. Rt. Hon. Speaker, I am grateful to the House for approving both presentations and, where necessary, passing relevant laws in support of the measures proposed.

6. Mr. Speaker, in those presentations, I outlined among others, measures to address the major causes of the twin Budget and Current Account deficits

that occurred at the end of 2012. Moreover, after consolidating the policies and measures into the Home Grown Policy with inputs from Senchi, we presented them to the Board of the International Monetary Fund (IMF), as part of its consideration of the staff report on Ghana's Article IV Consultations that took place in February this year.

7. Mr. Speaker, I stand before this august House to report that we have made progress in resolving several of these challenges. The successes that the measures have achieved include the following:

   i. completion of the migration of almost all public sector workers on the central payroll to the Single Spine Salary Structure (SSSS)after many failed attempts in over two decades. This remarkable progress, will help address many unfair features of the payroll system;

   ii. clearing of all outstanding SSSS-specific salary arrears of about GH¢3 billion that started to accumulate from the beginning of the programme in 2010. Moreover, the Scheme now moves into the productivity phase, as part of the on-going public sector-wide improvement or reform Programme;

   iii. virtually eliminating the spectre of long queues for fuel as well as the huge budget overruns of about GH¢339 million in 2012 and GH¢135 million in 2013 that resulted from past failures to adjust prices through the "automatic adjustment" pricing formula; and

   iv. an improvement in the revenue estimation process of the production and sale of crude oil, thus, eliminating another of the major causes of the budget overrun of about GH¢384 million that occurred at the end of 2012; and

v. a demonstration of our ability to raise both domestic and external funds to complete several projects that were put on Government budget without adequate source of funds.

8. Mr. Speaker, notwithstanding these successes, however, our resolve at rebalancing the Budget was severely tested again when the economy came under additional significant shocks in 2013. Many of these shocks continued into the 2014 fiscal year. The challenges we continue to face include major exogenous setbacks such as the following:

i. the continued disruption in the supply of gas from the West African Gas Power Pool (WAGP) from August 2012 through August 2014, due to the damage caused to the pipeline. This has had significant adverse effects on power supply, national output, foreign exchange reserves, and tax revenues;

ii. the fall in gold and cocoa prices has had similar effects and, required sacrifices by our hardworking cocoa farmers as well as Government in the form of curtailed producer price and export duty respectively. Hence, we have reason to commend our farmers and return the favour with the producer price increase that we announced this year;

iii. the sluggish inflow of grants from some Development Partners for the third year in succession (it is about 75 percent below what was pledged to support the budget); and

iv. while the slump in petroleum prices during the third quarter of 2014 has benefitted our automatic adjustment policy, it is also a factor that becomes important in our quest to utilize the petroleum funds under the PRMA for savings, stabilization and investment.

9. Mr. Speaker, besides the continuing adverse impact on national output as well as losses in foreign exchange and tax revenues, these latter setbacks had a major impact on the value of the Cedi in early 2014. It took several additional bold efforts and the reversal of compliance measures announced by the Bank of Ghana (BOG) to reverse and stabilize the currency. Thankfully, the Ghana Cedi has started showing signs of recovery, an explicit enunciation of the recovery and bright near term prospects.

10. Mr. Speaker, it was also at this critical juncture that the Government decided to request the IMF for Balance of Payments support that only comes from a funded IMF Programme. Indeed, the enhancements to the Home Grown Policies which would have expired in 2016/17 and outcome of the Senchi consultations have been used as vital input for the on-going Programme discussions with the IMF.

11. Mr. Speaker, the discussions have been progressing well and at the appropriate time, when we expect the IMF Board to approve the Programme, we will return to this august House with an update.

12. Mr. Speaker, while Ghanaians and the markets were taking the essence of Ghana's announcement of an IMF Programme in its stride, we achieved another important and significant success in launching our third Sovereign Bond of US$1 billion in early September 2014. Similarly, on the same day as the Bond issue, the Ghana COCOBOD also signed an agreement for US$1.7 billion, which was the result of another successful bid to access the international capital markets.

13. I mention these latter events in my update because the success of the Sovereign Bond and COCOBOD programmes was against the expectations of many people both at home and abroad. We do not gloat, rather they provide us with the occasion to put the management of our economy in a more balanced perspective. As with the 2014 Mid-Year Review, the market

activities were occasions to make a strong case for our positive and bright medium-term prospects.

14. Mr. Speaker, while we are aware that some deliberately choose to ignore that narrative, permit me to restate some features of that promising outlook for our nation:

   i. the economy continued to grow at respectable rates, led by the Agriculture Sector, even during the period that it was undergoing serious setbacks and challenges;

   ii. the completion of Ghana's own gas pipelines and processing plant to utilise the free 200 billion cubic feet (bcf) of gas from the Jubilee field. Indeed, the tie-in of the pipelines with the Floating, Production, Storage and Offloading (FPSO) and the plant has been completed and the commissioning of gas flows from the oil fields to the plant has started;

   iii. the future coming on stream of additional gas and crude oil production and supplies from the Sankofa and Tweneboa-Enyenra-Ntomme (TEN) fields; and

   iv. the prospects for further boosts to the economy from the energy sector have become even more promising with the signing of the Millennium Challenge Corporation (MCC) Compact II Agreement with the United States of America (USA).

15. Mr. Speaker, indeed, the 2015 Budget will be unique in one major respect. It will usher the country into the gas era and Phase II oil-gas production. Hence, just as with the prudent foresight it exhibited in taking the nation into the crude oil era, the NDC Government is poised to:

i. propose amendments to enhance effective implementation of the Petroleum Revenue Management Act 2011, (Act 815) to harness our oil resources for savings, stabilisation and development;

ii. outline firm policies for the energy sector that include the following key elements:

iii. implementation of the over US$400 million US MCC Compact II under the Power Africa Program that is planned to attract significant private investment into the energy sector;

iv. a major overhaul of the pricing, tax and levy structure for energy utilities and petroleum products;

v. a vigorous use of alternative financing instruments for energy and non-energy investments, mainly the insurance and Partial Risk Guarantee (PRG) tools of the World Bank and the African Development Bank (AfDB) to boost private sector participation in the sector and the economy; and

vi. as part of the new debt management strategy approved by this august House, we will continue to enhance the use of oil and gas resources to leverage the Capital Markets for development of the energy sector.

16. This last initiative will involve the issuing of energy bonds through plans that draw on synergies among the Balance Sheets of capable State-Owned Enterprises (SOEs) and the private sector. In this context, we will also consider the possibility of a second line of longer term Cocoa Bonds by COCOBOD to fund its long term capital and infrastructure needs.

17. Mr. Speaker, this innovative financing plan is key for the energy sector, where recent negotiations involving gas pricing and GNPC's aggregator

arrangements clearly suggest the need for strong Balance Sheets. It is in this context that we must see the relevance of (a) the proposed energy levy in the new pricing structure; and (b) GNPC’s recent successful access to the capital markets to raise US$700 million to support infrastructure development.

18. Mr. Speaker, I would like to emphasise that this loan is a GNPC loan and not a central government loan. The cost of borrowing at around 5 percent is highly competitive. The uses, as outlined by GNPC, are very clear and compelling, both commercially and strategically. The facility, together with GNPC’s other resources, will be used to support such investment needs as the pipeline and receiving facility in the Offshore Cape Three Points Project (OCTP), which GNPC will finance with US$493 million out of the loan proceeds, to provide a significant boost to monetizing Ghana’s natural gas. It will result in a lower gas price. Similarly, the US$36 million to US$45 million investment to link the Tweneboa natural gas to the Jubilee FPSO will enable cheaper processing of the gas by the Atuabo Plant. In addition, GNPC plans to use between US$200 million and US$300 million as part of measures to provide adequate financial security for the OCTP gas project.

19. In short, the facility is expected to be as much a game changer as the investment of about US$1.0 billion in our first gas infrastructure. These are all critical to our long term national energy security.

20. It is in this vein that Government has approved the takeover of the Ghana National Gas Company Limited (GNGC) by GNPC to create a gas subsidiary for the latter. The consolidation of GNPC and GNGC will make it possible to enhance a more integrated management and continue financing of projects in the oil and gas enclave immediately. It will make it possible to ease the conditions that investors impose for the national gas aggregator and start financing projects in the oil-and-gas enclave immediately. Government will

appoint a transaction advisor for these purposes and request them to advise on a further consolidation involving TOR and BOST.

21. Finally, we will consult with, and learn from, the experiences of Sovereign Wealth Funds (SWFs) on the continent (e.g. Nigeria and Angola) and elsewhere, as well as start exploratory talks on financing energy and non-energy infrastructure with the newly established Global Infrastructure Fund of the World Bank and the Africa50 (Infrastructure) Fund of the African Development Bank.

22. Rt. Hon. Speaker, against this background, permit me to re-echo H.E. President Mahama in stating that while we see a bright future encompassing the services, agriculture and industrial (most notably, energy) sectors, we are not yet out of the woods. Therefore, as we seek to enhance our on-going fiscal consolidation measures and policies under a prospective IMF Programme, we are reminded that we will not be merely continuing our stabilisation effort. In the near term, an IMF Programme will dovetail into the promising environment we plan to create for **inclusive growth, value addition, and diversification**. This outlook is embodied in the theme for the 2015 Budget Statement and Economic Policy **"Transformational Agenda: Securing the Bright Medium Term Prospects of the Economy".**

GLOBAL ECONOMIC PERFORMANCE AND OUTLOOK

23. Mr Speaker, permit me to present a summary of the performance and outlook for the global and domestic economies.

Growth

24. Mr. Speaker, according to the IMF's October 2014 World Economic Outlook (WEO), the performance of global economies has been slower than expected in the first half of 2014, reflecting a number of negative

unexpected developments, including weaker growth in the U.S., China and Latin America, as well as stagnant euro area growth. This has led to a downward revision of the projected growth rate for 2014, from 3.7 percent as reported in the April 2014 edition of the World Economic Outlook, to 3.3 percent. The world economic growth is projected at 3.8 percent in 2015.

25. Mr. Speaker, economic growth has remained robust in most economies of sub-Saharan Africa, driven by strong growth in public and private investment, supportive external demand, and strong private consumption. Growth is projected to remain robust at 5.1 percent in 2014 (same as 2013) and 5.8 percent in 2015, on account of strong domestic and net external demand.

Inflation

26. Mr. Speaker, price pressures have been largely contained, with Consumer Price Index (CPI) inflation generally below targets in advanced economies. In emerging market and developing economies, inflation is projected to decline to 5.5 percent in 2014, down from 5.9 percent in 2013 and remain broadly unchanged in 2015, largely on account of the softening of commodity prices, particularly food commodities, which have a high weight in the consumer price index baskets for these countries.

Commodity Prices

27. Mr. Speaker, commodity prices have declined in recent months and are expected to fall further in line with futures markets, owing mostly to improved supply prospects and weak global demand. Crude oil prices have experienced a declining trend in recent times, dipping to under US$90 a barrel in July, from a January average of US$107 and, declining further to under US$80 per barrel in November 2014.

28. According to the October 2014 WEO, crude oil prices are expected to average US$99.4 a barrel in 2015, falling further to around US$97.3 in

2016. However, recent market sentiments point to weaker crude oil prices than those predicted by the WEO. Metal prices, which have experienced declines in recent times, are projected to fall further by 7.5 percent in 2014 and by 1.8 percent in 2015, before rising by 0.6 percent in 2016. Food prices are also expected to decline by 4.1 percent in 2014 and by 7.9 percent in 2015 and remain broadly unchanged in 2016, reflecting favourable harvest conditions.

ECOWAS Activities and Protocols

29. Mr. Speaker, Ghana continues to play an integral role in the integration process of the Economic Community of West African States (ECOWAS). This commitment is reaffirmed by the current status of His Excellency, President John Dramani Mahama as the Chairman of the Authority of Heads of State and Government of ECOWAS. In 2014, the Heads of Governments of ECOWAS resolved, among others, to work at the abolition of the residence permit and the introduction of the Biometric Identity Card for the Community citizens; rationalization of the ECOWAS Convergence Criteria; the streamlining of ECOWAS Institutions in line with the Vision 2020; and approval of the revised roadmap for the second single monetary zone.

Implications of the Global Developments for Ghana's Economy

30. Mr. Speaker, our nations and region face ignorance, stigma, jokes and even ostracization often from what ought to be informed sources the threat of the Ebola virus in some West Africa countries; but which poses significant risk to the region's growth prospects, particularly its effects on the tourism and the hospitality sub-sectors.

31.

32. It is instructive to note that, His Excellency, President John Dramani Mahama, in his capacity as the Chairman of Economic Community of West African States (ECOWAS), has been at the forefront of the humanitarian efforts to mobilise both financial and material resources to bring the epidemic under control. Ghana has been designated as the UN centre for

coordinating global response to the Ebola crisis, thanks to the sterling leadership of H.E. the President. Many global leaders have commended this effort very openly. As we note later Government is implementing several safety measures already to protect our citizens.

33. Mr. Speaker, Ghana has had to endure the harsh economic impact of the recent declines in commodity prices. In particular, the declining prices of gold have had adverse effects on jobs and revenues in the mining sector. Our mining towns are taking the full brunt of the negative effect. The projected decline in oil prices would also impact negatively on the fiscal through lower revenues from oil exports whilst at the same time dampening the effect of foreign exchange pressures arising out of oil lower import bill. However, the prospects are that the developments in gas can neutralise some of the adverse effects of crude oil earnings.

34. Mr. Speaker, Government will take necessary steps to mitigate their potential impacts. To sustain our medium term growth prospects, measures are being put in place to reduce our vulnerability to external shocks through such means as strengthening our tools for risk management, diversifying and adding value to our exports, and supporting local production of imported goods which can be produced domestically. The fiscal frameworks would also be strengthened to foster medium-term planning and preserve debt sustainability, as well as deepen structural transformation of the economy.

MACROECONOMIC PERFORMANCE IN 2014

Growth

35. Mr. Speaker, provisional Gross Domestic Product (GDP) data released by the Ghana Statistical Service (GSS) for 2014 estimates an expansion of 6.9

percent of the country's economy, down from a revised target of 7.1 percent and the 2013 growth of 7.6 percent.

36. In a reversal of trends in recent times, the Agriculture Sector recorded the highest growth of 5.3 percent in 2014, followed closely by the Services and Industry Sectors each by 4.6 percent.

37. Mr. Speaker, in the medium term, real GDP is estimated to grow at an average rate of 6.8 percent while non-oil GDP is projected to grow at an average of 4.4 percent. The Industry Sector is projected to be the lead sector over the medium term with an average growth of 11.4 percent, followed by the Services Sector with 6 percent and the Agriculture Sector with 3.6 percent.

38. The growth in the Industry Sector will be fuelled mainly by increasing growth in the petroleum industry due to expected gas production from the Jubilee Field; and commencement of crude oil and gas production in the Tweneboa-Enyenra-Ntomme (TEN) Field and the Sankofa-Gye Nyame (SGN) Field in 2016 and 2017. The projection is also based on expected improvement in manufacturing with the expected improvement in electricity production.

39. Projected growth in the Services Sector will be spurred on mainly by the Financial Intermediation, Information and Communications and Transport and Storage subsectors.

40. Mr. Speaker, the growth in the Agriculture Sector is expected to result mainly from planned Government interventions, including increasing the number of Agricultural Mechanization Services Centres (AMSECs), as well as enhancing the fertilizer and seed subsidy programme.

Inflation

41. Mr. Speaker, inflation rose to 16.9 percent in October 2014, from 16.5 percent in September 2014 and 13.5 percent at end-December 2013. The rise in inflation pressures in 2014 reflected the sharp depreciation of the local currency as well as pass through effects of fuel and utility price adjustments. Inflation during the first ten months of the year was reflected more in the non-food inflation than in the food inflation.

Money supply

42. Mr. Speaker, BOG's monetary statistics showed an increase in growth of monetary aggregates. General money supply, (Broad money or M2+), including foreign currency deposits, indicated a year-on-year growth of 33.6 percent by end of September 2014, compared with a growth of 17.4 percent at the end of September 2013.

Interest Rate

43. Interest rates increased for the period January to September 2014. The average interest rate on the 91-day Treasury bill rose to 23.5 percent in September 2014, from 21.59 percent in September 2013. However, the difference between borrowing and lending rates declined to 14.25 percent in September 2014.

Exchange Rate

44. Mr. Speaker, the cedi continued to weaken on the domestic market amid demand pressures, largely for oil imports, in the context inadequate foreign exchange supply on the market. In the Inter-Bank Market over the nine month period of 2014, the cedi depreciated by 31.2 percent, 29.3 percent and 23.6 percent against the US dollar, the pound sterling and the euro respectively. This compares with a depreciation of 4.1 percent, 16.7 percent and 20.1 percent against the US dollar, the pound sterling and the euro, respectively at the end of 2013.

45. With the boost from the inflow of the Sovereign Bond that was planned to support capital investments and the COCOBOD syndicated loan to support our farmers, the exchange rate has appreciated against the major currencies and it is expected to remain stable for the rest of the year.

46. Mr. Speaker, the main policy objective for over the medium term is to lower inflationary expectations. Since the last quarter of 2013, the effects of fuel adjustments, exchange rate depreciation and fiscal pressures have steadily pushed up inflation from the medium term target of about 9 percent. The Central Bank will continue to use its monetary policy rate to signal and gradually ease inflation towards the medium term target of about 9 percent.

Current Account Balance

47. Mr. Speaker, the provisional trade balance for the period January to September 2014, showed a narrower deficit of US$681.3 million, from US$3.8 billion at the end of 2013. The improvement was on account of less imports compared to exports, with imports reducing by 18.0 percent whilst exports reduced by 2.8 percent.

Gross International Reserves

48. The decline in the price of gold on the international market accounted for the shortfall in export earnings. The decline in imports was attributed to decline in non-oil imports which was affected by the depreciation of the cedi against the major trading currencies.

49. The country’s gross international reserves increased by US$46.9 million from US$5.6 billion at the end of December 2013 to US$5.7 billion at the end of September 2014. This was sufficient to provide 3.3 months of imports cover compared to 2.9 and 3.1 months of imports cover as at end-September and end-December 2013, respectively.

50. Mr. Speaker, external sector policy will continue to aim at building up foreign reserves to more comfortable levels beyond three months to four months of import cover in the medium term.

Fiscal Policy

51. Mr. Speaker, the 2015 Budget has been developed within the broad framework of the Ghana Shared Growth and Development Agenda (GSGDA II), 2014-2017. The medium term vision of Government in the GSGDA II is: "**A stable, united, inclusive and prosperous country with opportunities for all**".

52. Ghana's successful structural transformation rests on three strategic interventions namely:

   i. strengthening and deepening the essential elements and institutions of good governance;
   ii. promoting export-led growth through products that build up on Ghana's comparative strength in agricultural raw materials; and
   iii. anchoring industrial development through prudent use of natural resources based on locally processed value addition.

53. The GSGDA II will be linked to Ministry of Finance's database, the medium term expenditure and budget through the GIFMIS structures.

54. Mr. Speaker, the medium term fiscal policy of Government will focus on managing volatilities for a smooth near-term. We will continue to pursue the fundamental policies and measures we have been implementing for some time now.

55. Mr. Speaker, Government is committed to addressing the short term vulnerabilities that the economy faces to safeguard the nation's bright

medium term prospects for strong growth and job creation. Our goal for the medium term is to progressively reduce the fiscal deficit to 3.5 percent of GDP by 2017. This reduction will be driven mainly by improvements in tax policy, revenue administration reforms, improved management of public funds, expenditure rationalization, and the implementation of new debt management strategies.

56. Mr Speaker, in 2015, Government will implement the remaining VAT measures for fee-based financial services and commercial real estate with a change in the VAT on real estate to a flat 5 percent which the House has already passed.

57. In addition, Mr. Speaker we propose the following tax measures for implementation in 2015:

i. Imposition of Special Petroleum Tax of 17.5 percent as part of a rationalization of VAT regime and change in the petroleum pricing structure – this policy comes with a mitigation account to manage extremely low and high prices that result in sporadic price increases or decreases under the automatic adjustment formula;

ii. Reversal of the excise tax on petroleum from ad valorem to specific;

iii. Extension of the National Fiscal Stabilization Levy of 5 percent and special import levy of 1-2 percent to 2017; and

iv. Increase the withholding tax on Directors' remuneration from 10 percent to 20 percent;

58. Mr. Speaker, we will continue to implement the on-going expenditure measures that we have been vigorously pursuing under our Home-Grown Policy. These include:

i. Government's fiscal stance to negotiate public sector wages within budgetary constraints to ensure the sustainability of the Single Spine Pay Policy. Government is also mindful of the signal and pressure that public sector base pay could have on the private sector's application of the minimum wage. In with another decision reached at the Ho forum, we worked hard to complete negotiations on wage adjustments for 2015 before the Budget but could not achieve this goal.

ii. In a fiscal context, it is necessary that we continue to observe budgetary constraints on the wage bill. Despite the benefits of the new salary scheme, it is the cumulative overrun in the wage bill of over GH¢1.9 billion in addition to over GH¢3 billion overrun in arrears for 3 years in a row that prevented government from paying all its obligations on pensions, contractors and expenditures to run government services smoothly. As noted, however, this was worsened by factors such as the gas supply disruptions and fall in gold and cocoa prices;

iii. Continuation of the policy of net freeze on employment into all sectors of the public services (excluding education and health) and non-replacement of departing public sector employees in overstaffed areas; and

iv. We will continue to implement the existing price adjustment mechanisms for utility tariffs and fuel prices which as noted earlier, has eliminated the spectre of long queues for fuel. As the gas supply situation improves, we expect that consumers will also see the benefits of the utility price adjustments.

Debt Management

59. Mr. Speaker, Ghana's public debt stock as a percentage of GDP has been rising over the years. It increased from 36.3 percent in 2009 to 48.03 percent in 2012 and further to 55.53 percent in 2013. As at end September,

2014 the debt stock stood at 60.8 percent, largely on account of increase in external net disbursements for infrastructure projects and net domestic issuance, and the depreciation of the cedi.

60. Mr. Speaker, the provisional public debt stock as at end September, 2014 stood at GH¢69,705.90 million (US$21,733.51 million). This was made up of GH¢40,644.15 million (US$12,678.62 million) and GH¢29,041.75 million (US$9,054.89 million) for external and domestic debt respectively.

61. It is worth noting that some of the loans contracted were used to finance major infrastructure projects such as the following:

i. Ghana National Gas Processing Plant to help solve the energy crisis,
ii. Refurbishment and Expansion of the Ridge Hospital
iii. University of Ghana Teaching Hospital
iv. Expansion of the Kpong Water Pumping Station
v. Kwame Nkrumah Interchange
vi. Sofoline Interchange in Kumasi
vii. Tetteh-Quarshie – Madina road project
viii. Achimota-Ofankor road project
ix. Construction of Affordable Housing Units by OAS Construction
x. Kumasi Central Market
xi. Kasoa Interchange
xii. 200 Buses for the Metro Mass Transit, and an additional
xiii. 295 Scania Buses for the Rapid Transport System
xiv. Parliament House- Job 600 Offices and reconfiguration of Parliament from long term domestic bond proceeds

Eurobond Issue

62. Mr. Speaker, you may recall that members of this august House on 31 December, 2013, approved the issue of up to US$1.5 billion on the Eurobond market in 2014 of which US$1 billion was for capital expenditure

in the 2014 budget and up to US$500 million for the refinancing of existing debt. The prospectus is being distributed with this budget.

63. Mr. Speaker, unlike earlier Eurobond transactions, the 2014 transaction coincided with an announcement of a potential programme discussions with the IMF. Despite this complication we were able to achieve an impressive market result reflected in a competitive coupon rate of 8.125 percent and an order book of US$2.9 billion of which Government accepted US$1billion.

Projected 2014 End Year Fiscal Outturn

64. Mr. Speaker, the key objective of fiscal policy as outlined in the 2014 Budget, aimed at ensuring fiscal prudence and debt sustainability by improving revenue mobilization and rationalization, enhancing efficiency of public expenditures, as well as reviewing the financing methods and implementation of new debt management reforms. In this regard, the 2014 Budget targeted a reduction in the fiscal deficit from 10.1 percent GDP in 2013 to 8.5 percent of GDP in 2014. However, due to both domestic and global economic developments, the deficit target for 2014 was revised to 8.8 percent of GDP in mid-year review.

65. Mr. Speaker, preliminary data for the first nine months of the year indicate that, both revenue and expenditure were below their respective targets for the period. However, the shortfall in revenue was lower than the shortfall in expenditure, and this resulted in a fiscal deficit of 5.9 percent of GDP (cash basis), against a target of 6.4 percent. As a result of projected shortfall in revenue the 2014 end-year fiscal deficit is estimated 9.5 percent of GDP.

66. Mr. Speaker, in the 2014 Budget Government announced that the President, his Vice President, Ministers and Appointees have decided to take a voluntary 10 percent pay cut for 2014 within the spirit of the Ho Forum on the sustainability of the Single Spine Pay Policy. The realized amount is for

special purpose CHPS compounds focusing on maternal and neo natal health.

67. Mr. Speaker, I'm glad to announce that as at the end of October 2014 an amount of GH¢734,530 has been deducted and used for the intended purpose.

MACROECONOMIC TARGETS FOR THE MEDIUM-TERM AND 2015

68. Mr. Speaker based on the macroeconomic framework, the specific macroeconomic targets to be pursued for the medium term (2015- 2017) include the following:

i. An average real GDP (including oil) growth rate of at least 6.8 percent;
ii. An average non-oil real GDP growth rate of at least 4.4 percent;
iii. An inflation target of 8 percent with a band of ±2 percent;
iv. An overall Budget Deficit of 3.5 percent by 2017
v. Gross International Reserves which will cover not less than 4 months of imports of goods and services by 2017.

69. Mr. Speaker, the specific macroeconomic targets for 2015 are as follows:

i. Non-oil real GDP growth of 2.7 percent;
ii. Overall real GDP (including oil) growth of 3.9 percent;
iii. An end year inflation target of 11.5 percent;
iv. Overall budget deficit equivalent to 6.5 percent of GDP; and
v. Gross international reserves of not less than 3 months of import cover of goods and services.

RESOURCE MOBILIZATION FOR 2015

70. Mr. Speaker, total non-oil revenue and grants for the 2015 fiscal year is estimated at GH¢26.1 billion, or 21.2 percent of non-oil GDP. This represents 31.5 percent increase over the projected outturn for 2014.

71. The total revenue from oil is estimated at GH¢4.2 billion, or 3.1 percent of GDP.Therefore, total revenue and grants, including oil, for the 2015 is estimated at GH¢33.0 billion, or 24.0 percent of GDP.

72. Domestic revenue, made up of tax and non-tax revenue is estimated at GH¢30.9 billion, 28.9 percent higher than the projected outturn for 2014.

73. Mr. Speaker, total tax revenue is estimated at GH¢25.4 billion, representing 18.8 percent of GDP. This shows an increase of 31.0 percent over the projected outturn for 2014. Of this amount, non-oil tax revenue is estimated to grow by 25.0 percent to GH¢23.1 billion, equivalent to 18.8 percent of non-oil GDP.

74. Taxes on income and property are estimated to increase by 28.6 percent to GH¢11.2 billion in 2015, accounting for 44.2 percent of total tax revenue. Of this amount, royalties and corporate income tax from oil is estimated at GH¢2.3 billion.

75. Taxes on goods and services are estimated at GH¢9.4 billion, representing 46.7 percent increase over the projected outturn for 2014 and 37.3 percent of the estimated total tax revenue for 2015. The strong growth in taxes on

domestic goods is mainly as a result of the policy measures on VAT and petroleum.

76. The 2014 estimate for taxes on good and services is made up of GH¢5.7 billion for total VAT, while Excise taxes, National Health Insurance Levy and Communication Service tax are expected to yield GH¢2.4 billion, GH¢1billion and GH¢306.2 million, respectively.

77. International Trade taxes, are estimated at GH¢4.7 billion, representing 3.5 percent of GDP and 18.5 percent of total tax revenue. The estimate reflects a 11.8 percent increase over the projected outturn for 2014. The increase in international trade taxes is expected to be largely driven by import duties, estimated to be about 75.4 percent of the estimated international trade taxes for 2015.

78. 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¢5.3 billion, equivalent to 3.9 percent of GDP or 17.1 percent of domestic revenue. An amount of GH¢2.8 billion is expected to be retained by MDAs for the funding of their activities and the rest lodged into the Consolidated Fund. A total amount of GH¢1.9 billion is estimated as non-tax oil revenue.

79. Mr. Speaker, Grants and Loans from Development Partners are estimated at GH¢1.6 billion, equivalent to 1.1 percent of GDP. The expected grant constitutes 4.8 percent to the estimated total revenue and grants for 2015.

RESOURCE ALLOCATION FOR 2015

Expenditure

80. Mr. Speaker, total expenditure, including provision for clearance of arrears and commitments in 2015 is estimated at GH¢41.4 billion, or 30.5 percent

of GDP. These represents 15.6 percent increase over the projected outturn for 2014. Of this amount, GH¢1.6 billion, or 1.2 percent of GDP and 3.8 percent of total expenditure will be used for the clearance of arrears and commitments.

81. Mr. Speaker, Compensation of employees which comprises wages and salaries, allowances, pensions, gratuities and social security contributions by Government on behalf of its employees is estimated at GH¢12.3 billion, representing 9.1 percent of GDP. Of this amount, GH¢10.3 billion (7.6 percent of GDP) is estimated for the payment of wages, salaries and allowances, while GH¢750.9 million, GH¢216.0 million and GH¢1.1 billion is estimated for pensions, gratuities and social security, respectively.

82. Expenditure on goods and services is estimated at GH¢2.0 billion, representing 1.5 percent of GDP.

83. Total interest payment is estimated at GH¢9.6 billion, equivalent to 7.1 percent of GDP and 24.4 percent of total expenditure. Of this amount, GH¢1.5 billion will be spent on external interest, while GH¢8.0 billion will be for domestic interest payments.

An amount of GH¢50.0 million has been provided for the payment of subsidies on petroleum products. Grants to other Government units, comprising statutory payments into the National Health Insurance Fund, Ghana Education Trust Fund, the Transfers to the DACF and GETFund are estimated at GH¢7.4 billion.

84. Transfers to the District Assemblies Common Fund and GETFund are estimated at GH¢1.6 billion and 843.9 million, respectively.

85. The Road Fund is expected to receive an amount of GH¢257.0 million, while GH¢5.3 million will be transferred into the Petroleum-related Fund.

86. An amount of GH¢1.2 billion is estimated to be transferred into the National Health Insurance Fund, while GH¢697.7 million from oil revenue, is earmarked to be transferred to the Ghana National Petroleum Corporation for its investments.

87. Mr. Speaker, a total amount of GH¢7.0 billion is allocated for capital expenditure representing a 27.1 percent increase over the projected outturn for 2014 and 17.8 percent of the estimated total spending for 2015. About 36.8 percent of the total amount will be financed from domestic sources and the remaining from foreign sources.

Overall Budget Balance and Financing for 2015

88. Mr. Speaker, based on the revenue and expenditure estimates, the 2014 budget will result in an overall budget deficit of GH¢8.8 billion, equivalent to 6.5 percent of GDP.

89. Financing of the deficit will be from both domestic and foreign sources. Net Domestic Financing is estimated at GH¢7.6 billion, equivalent to 5.6 percent of GDP, and financing from foreign sources are estimated at GH¢1.3 billion, equivalent to 0.9 percent of GDP.

SECTORAL PERFORMANCE AND OUTLOOK

Over the past few years' government has significantly increased spending on social services by expanding facilities and implemented measures to increase access to and quality of health and education services. In 2015 this trend will continue with an allocation of over 7.6 billion to the Education Sector (including GetFund) and 4.2billion to the Health Sector.

HEALTH

90. Mr Speaker, Government continues to deliver on the healthcare needs of our people from an expanded NHIL and allocations from the central budget. We continue to make significant investment in the infrastructure, equipment and personnel needs of our health sector. We have vigorously embarked on the infrastructure to expand access to health care in all parts of the country. These include:

i. The 600-bed University of Ghana Teaching Hospital;

ii. The 420-bed Ridge Hospital Expansion Project;

iii. The 500-bed Military Hospital Project in Kumasi;

iv. The Second phase of the Tamale Teaching Hospital after the completion of the 400-bed first phase of the project;

v. The Police Hospital Project;

vi. The Ashanti Regional Hospital at Sewua-Kumasi; and

vi. The Upper West Regional Hospital

91. Among others, we have also completed the following projects in our quest to expand access to health care:

i. Nineteen out of the twenty-one Health Centres at Locations that include the following;

   Amasaman, Doffor, Pokukrom, New Jejeti, Paakro, Gwollu, Funsi, Sang, Buipe, Manso Nkwanta, Abuakwa, Mase, Sosokpe, Kedzi, Adamso, Kayoro, Timonde, Bonsu Nkwanta and Dadieso

ii. Three District Hospitals under the same project have also been completed at Edjumako, Essam, Zabzugu District Hospitals.

iii. Construction of eye care centre at Komfo Anokye Teaching Hospital.

92. Mr Speaker, under the National Hospital Equipment Replacement Programme, government is providing modern hospital equipment to enhance healthcare delivery. This initiative has ensured the construction and equipping of New MRI and CT Scan Centres in the Komfo Anokye and Tamale Teaching Hospitals.

93. The Korle Bu Teaching Hospital alone benefited from a $57 Million project to replace and rehabilitate obsolete equipment and theatres. Twelve operating theatres for Pediatric and General Surgery (which had been closed for nearly eight years), the Neo-natal Intensive care Unit and the Baby unit were refurbished.

94. Korle Bu also took delivery of Mammography, MRI, CT Scan, X-ray machines and Oxygen plants.Under the same scheme, procurement and installation of new X-Ray Equipment in 40 selected District Hospitals took place nationwide; these include,

95. Mr Speaker, the Community Health Planning and Services (CHPS) concept remains the Ministry's main strategy of bring basic helath services to the community level. In this regard, a total of 724 CHPS zones were made functional.

96. Mr Speaker, family planning coverage increased from 13.9 per cent in 2013 to 16.6 per cent as at September 2014 whilst we increased our ambulance stations to 126 by establishing new ambulance stations at Kasoa, Atomic Junction in Accra, Tarkwa and Axim. A total of 14,322 cases were recorded, comprising 8,232 inter-hospital transfers and 6,090 emergencies.

97. An evaluation conducted by the WHO this year and their findings indicate that Ghana has successfully eradicated Guinea Worm disease, pending certification.

EDUCATION

98. Mr. Speaker, President John Mahama's agenda for quality, accessible, equitable and affordable education remains on course. At the second cycle level, the pledge of the President during the 2014 State of the Nation Address to this august house to implement progressively free Secondary Education beginning 2015 is ready to take off. The agreed roadmap beginning with day students has been adequately catered for in this budget.

99. Mr. Speaker, President Mahama's pledge to construct additional 200 Senior High Schools by 2016 is very much on course. So far the first 50 are at various stages of completion. This budget has also made provision for the next 50. Under the World Bank supported Secondary Education Improvement Project (SEIP), an additional 23 new Senior High Schools are being constructed. Therefore This means therefore that so far funding has been secured for 123 out of the promised 200 Senior High Schools. We remain confident of meeting our target by 2016 in line with our prudent fiscal policy that all major capital projects must be fully funded before they are started.

100. Mr. Speaker, still under the SEIP, 125 existing Senior High Schools are receiving facilities upgrade, 125 Heads are receiving Leadership and Management training, an additional 6,500 Science, Mathematics and ICT Teachers are receiving capacity building whiles scholarships are being provided for 10,000 students for their entire 3 year Senior High School duration for which 60% are girls.

101. Mr. Speaker, Cabinet has approved the draft bill for the public university to be sited in the Eastern Region in line with our pledge to establish at least

one public university in each of our 10 regions. It is gladdening to note that this particular session of Parliament will be considering the Eastern University Bill. I am happy in this light to report tremendous progress in the new public universities in the Brong Ahafo and Volta Regions which this august House assisted us to establish.

102. Mr. Speaker, work is ongoing on the conversion of our Polytechnics into Technical Universities. A roadmap has been agreed by cabinet and this house will soon consider amendments to the Acts establishing the Polytechnics.

103. Mr. Speaker, in line with efforts to rebrand technical and vocational education to make it more attractive to the youth and also to support President Mahama's Made in Ghana Initiative, the Skills Development Fund (SDF) intervention under the Council for Technical and Vocational Education and Training (COTVET) has so far disbursed GHs 136.5 million to 510 grantees.

104. Mr. Speaker, at the basic level, as we approach the 2015 target year for the Millennium Development Goals, we can all be pleased that Ghana has achieved MDG 2 on universal basic education. In order to avoid complacency and in line with our own FCUBE programme, Government will continue to implement interventions aimed at retaining our children in school such as eliminating schools under trees, free uniforms, free text books, capitation grant, expanded school feeding programme, BECE subsidies and redeployment of teachers. We will continue to carry out effective redeployment of teachers and train more teachers in line with our new reforms in the sector that led to an increase of teacher trainees in the Colleges of Education by an unprecedented 63%. Teacher absenteeism which has been brought down from 27% to 11% will be brought down further by the new management practices we have embarked upon.

CHILD RIGHTS PROMOTION, PROTECTION AND DEVELOPMENT PROGRAMME

105. Mr Speaker, in our effort to ensure that the weak and vulnerable are provided for, government, provided shelter and care for 800 orphans and trained 1,406 caregivers in all 10 regions, assisted in reuniting 983 children in orphanages with their families and closed down 22 orphanages that did not meet the requirements. The Ministry also placed moratorium on child adoption in Ghana to address current challenges and protect adopted children and their foster parents.

Social Development Programme

106. As part of efforts to tackle extreme poverty and achieve the United Nations Millennium Development Goal, the Ministry provided cash grants to a total of 77,000 households in 100 Districts in all 10 Regions under the Livelihood Empowerment Against Poverty (LEAP) Programme. Out of the total payment, 7,616 beneficiary households in 9 districts and 7 regions received electronic payments of the LEAP Grants in 3 piloted ecological zones for the purposes of ensuring timely and efficient transfer of cash to beneficiaries.

107. The Ministry also developed M&E Framework and Manuals for the LEAP to track progress, identify gaps and design timely interventions for implementation.

108. The Ministry will also expand the implementation of the LEAP to cover over 200,000 households' beneficiaries to improve their socio-economic status and ensure the survival and development of children as well as to promote the welfare of the vulnerable and excluded in society.

FOOD SECURITY AND AGRICULTURE DEVELOPMENT

109. Mr. Speaker, the objective of Government under the food security and emergency preparedness programme is to reduce food and nutrition insecurity through modernized agriculture, management of national

strategic stocks for emergencies and the establishment of effective early warning systems.

110. To this end, 40 hectares of primary materials of cassava and 5 hectares of yam mini-set technology of newly released varieties were established out of a target of 160 hectares. Even though the area cultivated fell below the target, it led to a marginal increase in yield from 16.78mt/ha to 16.83mt/ha and 18.27mt/ha to 19.13mt/ha for yam and cassava respectively. The remaining 115 hectares of cassava and yam planting materials will be established in 2015 and expected to increase yield as well as enhance farm level productivity from 19.13mt/ha to 20.01mt/ha for cassava and 16.83mt/ha to 17.21mt/ha for yam.

111. Mr. Speaker, to reduce post-harvest losses, government is collaborating with the private sector increased the national food buffer stock centres from seven (7) to ten (10) in 2014. The Ministry facilitated the establishment of 2 new warehouses with a capacity of 100,000mt each. The National Food Buffer Stock Company (NAFCO) purchased and stored a total of 3,317.40mt of locally-milled rice which was supplied to the school Feeding Programme.

112. To improve access to mechanised agriculture services, a total of 89 AMSECs which consist of tractors and implements, maize shellers and water pumps have been established in 62 Metropolitan, Municipal and District Assemblies (MMDAs). This has enabled 267,500 small holder farmers access mechanised services on time which has resulted in the cultivation of about 107,000ha of maize, rice and soya beans this year.

113. In 2015 additional 41 AMSECs is targeted to be established bringing the total to 130. The Ministry will also carry out training programmes to improve technical skills and competence of managers and machine operators to avert premature and frequent break down of these equipment.

114. Mr. Speaker, the Ministry produced and exported 1.84 million and 700,000 doses of ND1-2 to Niger and Gambia respectively. Furthermore, a Memorandum of Understanding (MoU) has been signed with Niger to supply 2 million doses of the same vaccine by the end of the year. Due to the increased demand for the ND1-2 vaccines in the sub-region, the Ministry plans to produce 32 million doses for both domestic and international markets in 2015.

FISHERIES

115. Mr. Speaker, to enforce Fisheries Laws and Regulations on Illegal, Unreported and Unregulated (IUU) fishing, 79 fishing vessels were fitted with Vessel Monitoring Systems (VMS). Since July this year, the VMS aided the arrest of 14 vessels that were prosecuted for their involvement in IUU fishing activities. In addition, over 1000 illegal fishing nets and 300 generators and accessories were confiscated by the Fisheries Enforcement Unit. The Ministry will continue to undertake these monitoring activities to reduce the incidence of illegal fishing activities on our waters. (Revision of fisheries law)

TRADE AND INDUSTRY – Increasing trade

116. Mr. Speaker, the Export Development and Agricultural Investment Fund (EDAIF) Act has been reviewed to increase its resource envelop to support manufacturing, particularly agro-processing and start-ups. An amount of GHS154.7 million was approved to support fifty-five (55) projects, of which GHS69.5 million was allocated to eighteen (18) companies under the Export Credit and Projects Facility for manufacturing of export products including pharmaceuticals, wood processing, food processing, domestic plastic wares, alcoholic beverages and pineapples.

117. A total of GHS32.8 million was approved under the Agriculture, Agro-Processing Development and Credit Facility for fifteen (15) companies to boost the production and or processing of various agriculture products for

both local and export markets, and the remaining GHS52.3 million was approved for twenty-two (22) projects of MMDAs, trade associations and farmer based organizations under the Export Development and Promotion Facility. In 2015, EDAIF will establish its presence in all the 10 regions to ensure that it supports businesses in all parts of the country.

118. Mr. Speaker, the Ministry in collaboration with the Ghana Export Promotion Authority (GEPA) and other trade-related institutions carried out the inception phase activities including, sensitization of focal persons of the implementing agencies, establishment of Project Management and Coordinating Unit (PCMU), preparation of work-plans, and a monitoring and evaluation matrix towards full implementation of the National Export Strategy (NES). The Ministry will in 2015 commence full implementation of the strategy towards the realization of the USD 3.70 billion target from NTEs. The pre-inspection conformity assessment program announced by the Ghana Standards Authority will be put on hold pending further consultations with stakeholders.

ENERGY

119. Mr. Speaker, I started this presentation with a strong focus on power in the context of the hopeful prospects for the economy. We recognise that adequate supply of energy remains a major challenge for us. This year, the cost of doing business in Ghana has gone up because of disruptions in electricity supply. Government recognizes that energy remains an absolutely critical requirement for sustainable economic growth and development. Consumers in general have had to live with the discomfort of the power outages and its attendant effect on the prices of goods and services.

120. We take a serious view of this and Government therefore is strengthened in its resolve to address the energy challenges holistically and provide relief to both businesses and consumers. In this regard, Government is continuing with the medium term objective of increasing power generation capacity.

121. Work on Tico expansion (110MW) is 90 percent complete and also expected to commence operations by early next year. Feasibility studies and Environmental and Social Impact Assessment are completed on the 12 MW Solar plant in the Upper West Region.

INFRASTRUCTURE SECTOR

THE WATER SUB-SECTOR

122. To achieve government’s target of delivering 76 percent of urban water coverage by 2015, government has put in place a number of projects.

123. Currently, the national urban water demand stands at 257 MGD. However, the demand in Greater Accra Metropolitan Area (GAMA) alone is 150 MGD which is about 60% of the national water demand.

124. The major water treatment plants serving GAMA are Kpong and Weija which have a total production capacity of 93 MGD. Currently, Weija produces 53 MGD while Kpong generates 40 MGD leaving a gap or deficit of 57 MGD.

125. To address the deficit, various interventions are being made to add a total of 65.3MGD into the GAMA water supply system. This will give us excess of 8.3 MGD.

126. The interventions are as follows:

i. The 3.3 MGD water treatment plant at Kpong (Siemens) is completed and has been producing water since July, 2014. Dodowa, Ningo, Prampram and the Akuapem Ridge area;

ii. Completion of the 9 MGD ATMA Rural Water Supply Project by December, 2014;

iii. Completion of the 40 MGD water treatment plant at Kpong by the end of December, 2014; and

iv. Completion of the 13MGD sea water desalination plant at Teshie-Nungua by the end of December, 2014.

127. By the completion of these interventions 65.3 MGD will be added to the water supply to GAMA which will bridge the supply-demand gap.

128. In view of the ever increasing population in GAMA, additional projects have been planned to ensure the reliability and sustainability of the water supply to from 2015 to the year 2030. These include: Kpong Water Supply Expansion Phase 2, Weija Water Supply Expansion and Asutsuare Water Supply Projects.

129. Here are details of the interventions to address the gap:

i. Kpong Water Supply Expansion Project

The Kpong Water Supply Expansion Project is being carried out at an estimated cost of US$273 million with funding from the Government of Ghana and China Exim Bank. The project is envisaged to increase water supply to GAMA by 40 MGD. Water will be supplied from Kpong through Dodowa to the existing Terminal Reservoir at Okponglo and newly constructed ones at Madina and Boi.

This is to improve water supply to areas including Adenta, Madina, Kwabenya, Ashongmang, North, East and West Legon, Ashaley Botwe, Haatso, Boi, Asofaa, Dome and many others. The project which is 94% complete is ahead of schedule and is expected to be completed by the end of December, 2014 instead of the contractual completion date of June, 2015.

ii. Kpong Intake Rehabilitation Project

The Kpong Intake expansion project carried out to improve efficiency by replacing all the existing pumps is complete.

As part of the project, a 3.3 MGD treatment plant was built to increase water supply to Accra-Tema Metropolitan Area (ATMA Rural). Communities to benefit from the project include; Dodowa, Ningo, Prampram and the Akuapem Ridge. The project which is at the cost of €16.5 million commenced production of water in July this year.

iii. Accra - Tema Metropolitan Area (ATMA Rural) Water Supply Project

The major components of this project are:

- A new water treatment plant to produce an additional 9 MGD
- 4 new reservoirs at Adukrom, Dodowa, Atimpoku and Akorley.
- 92km of transmission pipelines.

This will improve water supply to the following areas: Michel Camp, Afienya, Kpone, Prampram, Old Ningo, New Ningo, Ayitepa, Kponguno, Omankope, Kodiabe, Doyumu, Agomeda, Adumanya, Menyum, Dodowa, Odese, Nganompian, Bawalashie, Oyibi, Amanfro, Latehman, Ashiyie, Fafraha, Abominya, Amanfro, Ayikuma, Abokobi, Pantang and Ayi Mensah (all in the Greater Accra Region) and Akorley, Abonse, Aperede, Adukrom, Awukugua, Dawu, Abiriw, Akropong, Mamfe, Amanokrom, Tutu, Obosomase, Ahwerase, Aburi, Gyankama, Peduase, Kitase, Berekuso, Frankadua, Apeguso, Aboasa, Kwanyako, Juapong, Ogoli, Akwamufie, Mangoasi, Atimpoku, New Senchi, Akrade, Senchi, Domeabra, Lolonyo, Agomanya, Manya Kpowonu, Odumasi, Menekpo, Sra, Sawe and Ogome (in the Eastern Region).

The project which costs €56.5 million is 98% complete and will serve 250,000 inhabitants.

iv. Teshie-Nungua Desalination Water Project

The Teshie-Nungua Desalination Water Project is a 13 MGD treatment plant planned to serve about 500,000 people in the project area. It is being implemented through a Build, Operate, Own and Transfer (BOOT) mechanism. The project involves the desalination of sea water and aims at improving water delivery to the following areas; Teshie, Nungua, the Teshie Military barracks, Batsoona, Sakumono and parts of La-Dadekotopon. The project is 92 percent complete and is expected to be completed in November, 2014.

ROADS AND HIGHWAYS

130. Routine maintenance was undertaken on 13,459km of the trunk road network; 7,269km on the feeder road network; and 3,096km on the urban road network representing 108, 32 and 85 percent respectively of the approved programme. Periodic maintenance activities, comprising re-gravelling, spot improvement and resealing works has been carried out on 76km, 776km and 645km on the trunk, feeder and urban road networks respectively.

131. In 2015, the Ministry will undertake routine maintenance on 11,199km, 22,500km and 8,200km of trunk, feeder and urban road networks respectively. In addition, periodic maintenance activities including Spot Improvement, Re-gravelling, Resealing, Asphaltic Overlay, Partial Reconstruction, Maintenance of Bridges will be undertaken on 6,675km, 1,000km, 940km of trunk, feeder and urban roads respectively. Minor rehabilitation and improvement works will also be undertaken on 900km of trunk, 350km of feeder and 150km of urban roads.

132. The Ministry has procured three (3) number 50-Seater High Speed Passenger Ferries, to improve passenger and cargo services along the Volta Lake. One has been delivered to Akosombo and the other two are yet to be cleared at the Tema port. In addition, one Modular Passenger/Freight Vessel will be delivered by December.

133. Procurement of 200 new buses to increase the number of existing fleet will commence in 2015. This will help to increase the bus schedules on the existing 324 routes and re-align operations on Intra-City as well as Rural-Urban services and improve mass transport in the country.

134. Mr. Speaker, Ghana ranked 67th out of a total of 189 countries in the 2014 Global ease-of-doing business report. It is our goal to improve upon this especially in relation to port management. In this regard, Cabinet has decided to set up a panel comprising the Ministries of Finance, Trade and Industry and Transport to work out a synergy for a one-stop window to ease clearing of goods at the Ports and minimize delays in import and export. As part of the measures the Customs Division of GRA will from January 2015 work 24 hours, 7 days a week on a shift basis to reduce time and cost of clearing goods.

135. With regards to railways, government will undertake front end engineering design (FEED) of the railway network, particularly, the Western and eastern rail lines.

136. The telecommunications sector continued to register impressive growth rate in subscription with a total subscription for both cellular and fixed lines registering 29,101,767 and 27,803,710, representing 4.7 percent and 50.85 percent respectively.

ENSURING PUBLIC SAFETY

Improving Law and Order

137. Mr. Speaker, the Ghana Police Service expanded the Police Visibility and Accessibility Programme to all regional capitals and selected urban areas leading to a reduction in major crimes.

138. In 2015, the Service in collaboration with other security agencies will expand the intelligence-led policing through the informant system, apprehend and prosecute offenders and will expand the capacity of the Police Hospital to provide quality health service. The GPS will intensify the visibility project and day and night patrols across the country.

Improving good governance through institutional Strengthening

139. One of the significant issues discussed in Senchi was the recognition that the country has experienced a weakening of its regulatory institutions which has led to a sense of helplessness in certain key sectors of our economy. At Senchi, the consensus was that, these regulatory institutions should be strengthened to deliver their core mandate of enforcing standards in service delivery.

140. In 2015, regulatory institutions like the factory inspectorate, town and country planning, birth and death registry, tourism authority, standard authority, food and drugs authority and health inspectorate departments of district assemblies will embark on a review of their existing standards and rules, publish them and undertake monitoring visits to ensure compliance by service providers. They will be supported to strengthen their capacity to undertake these activities. We believe that Ghanaians should be treated with respect and receive the quality of services that they deserve and pay for.

SANITATION AND WASTE MANAGEMENT

141. Mr. Speaker, development and operation of compost and recycling plants present an efficient and effective way of managing waste for the future. Compost and recycling plants offer MMDAs a feasible and cost effective alternative to landfilling. Solid waste helps meet the growing demand for organic fertilizer and contribute to saving the environment by an efficient method of disposing municipal solid waste. Compost and recycling plants also package and process recyclable products like plastic, pellets and scrap metal for industries. Over the medium term, government will encourage MMDAs to partner the private sector to deliver compost and recycling plants in some selected regions of the country.

REDUCING WASTE AND IMPROVING EFFICIENCY IN PUBLIC FINANCIAL MANAGEMENT

Good Governance, Transparency and Anti- Corruption

142. In 2015, the Government will implement initiatives to enforce the recommendations of the Auditor-General's Report. This will involve sanctioning and possible prosecution of persons indicted by the report.

143. Government in conjunction with the Commission on Human Rights and Administrative Justice (CHRAJ) and other anti-corruption agencies will begin implementation of the national Anti-corruption Action Plan (NACAP).

144. In addition, government will strictly enforce the sanctions regime on payroll fraud and all other financial misconduct and indiscipline as outlined in Section 8 in the Financial Administration Regulation**.**

PUBLIC FINANCIAL MANAGEMENT (PFM) REFORMS

145. Mr. Speaker, a pillar of our effort to build and enhance the capacity of our institutions and processes, is the ongoing reforms in Public Financial Management (PFM). To facilitate a holistic approach to the implementation

of our PFM reforms, a draft PFM strategy has been developed. This will be completed and implemented in 2015. In the meantime our current flagship programme, the Ghana Integrated Financial Management System, (GIFMIS) is ongoing. To sustain its implementation we have started to negotiate GIFMIS II financing with the World Bank and other DPs.

146. The key components and goals under the (GIFMIS) and Ghana Revenue Authority (GRA) reform projects include increasing efficiency in processing budget and financial accounting transactions; improvements in payroll management; establishment of a Human Resource Information Management system (HRMIS); improved domestic revenue mobilization under the GRA reforms; and a comprehensive review of all the revenue and expenditure laws.

147. GIFMIS Budget Systems - the first phase of the project started in January this year and I am pleased to inform the House that it was completed on time and on budget. Indeed it was used to prepare the detailed 2015 Estimates that we will present to the various Committees of the House. When fully deployed and integrated with the financial accounting system, the nation will benefit from better controls such as enforcing budget and cash ceilings as well as analysing variances between estimates and actual revenues and expenditures.

148. Programme-Based Budgeting (PBB): the 2014 Budget marked the first time that we shifted the basis for allocating funds, and the preparation of MDA budgets and estimates from "activities" (e.g., travel and per diem) to "programs" (e.g., win the African Cup of Nations). The benefit is obvious: it will enable heads of institutions and units within an organization to set targets that relate to more measurable objectives and goals. As Honourable Members will notice, this approach has reflected in a more compact and concise Budget Document due to the focus on programmes and not activities and Cost-Centres.

149. I am pleased to note that as part of the sensitization program, MOF staff had the privilege of making a presentation on the PBB to this august House and specifically to some of the select committees.

150. Mr Speaker we will undertake a comprehensive review in 2015 to simplify budget execution process and ensure effective budget and commitment controls. In the meantime new expenditure management rules will be developed and the following measures implemented,

i. Contracts and Public Investment Management: The contracts database we have been establishing since 2011 will now have an electronic link to budget allocations whilst the cash management and fixed asset modules within GIFMIS (Financial Accounting) System will be deployed.

ii. Under the Financial Administration Act (FAA), all institutions on government budget are required to apply the GIFMIS system by interface or integration. We will pursue this goal vigorously under GIFMIS Phase II for all MDAs, MMDAs and subvented organizations—as bases for improving budget outcomes and preparing the Public Accounts that are eventually submitted to the House.

iii. Upgrade of the Payroll: In 2013, the Payroll upgrade under GIFMIS was fast-tracked to help resolve many issues that were impeding the smooth implementation of the Single-Spine Salary Scheme (SSSS). This will be complemented with the HRMIS system and explore a continuing active role for the private sector. It is our expectation that this will improve effective payroll administration, including recruitment, transfers, promotion, and termination of staff from the civil and public services. It will also facilitate audits and the application of sanctions against malfeasance.

151. On payroll management, we will ensure Full implementation of the Electronic Salary Payment Voucher (ESPV) System and conduct frequent payroll audits; and

i. Use of Electronic Warrants: At the moment, the majority of MDAs have replaced the manual warrants with electronic application of expenditures. During 2015, the use of electronic warrants will be extended to all recurrent and capital expenditures. The second measure will include the use of warrants for all internally-generated funds (IGFs) to ensure proper accounting and application of funds. In connection with that, there will be no central processing and bulk release of funds to all MDAs

ii. This is a major step that will complement the use of electronic warrants to process IGF expenses. Furthermore, the CAGD has been directed to collaborate with all banks secure electronic access to the accounts of ALL government agencies, under the GIFMIS and BOG systems Treasury Single Account initiative. This latter initiative will be tied with the analysis that CAGD and the Debt Management Unit uses to conduct their treasury market activities.

152. Coding and classification: Mr. Speaker, in the 2011 Budget, we launched a very important element of our PFM reforms, to make MDAs and MMDAs adopt a uniform way of classifying the GSDA, revenues, expenditures, functions and institutions in Budget, Estimates, and Public Accounts. The coding and classification systems that we are adopting will be consistent with international standards under the IMF

153. The main benefit is that the Controller and Accountant-General's Department (CAGD) and all public sector bodies that are not classified as

SOEs or government business entities (GBEs) will use the same basis or classification to present their financial accounting records to Parliament.

154. Accounting Standards: Mr. Speaker, Section 186 of the FAR requires that CAGD and all public sector institutions prepare their accounting records on accrual basis. It has been difficult to comply with this requirement and, therefore, the ritual qualification of the accounts presented to PAC by the Attorney-General.

155. Two events will result in a gradual shift towards achieving this goal of shifting the basis for public sector budgeting and accounts to an Accrual or Commitment Basis. First, we are gradually incorporating modules such as the contract database, accounts payable, accounts receivable and fixed asset management in the GIFMIS reforms. Secondly, I had the privilege to launch the adoption of the International IPSAS and modified Accrual Accounting

156. The implementation of the GIFMIS will be deepened through the completion of the financial accounting and budget modules to improve efficiency and effectiveness in expenditure management and commitment control. Specifically The budget preparation module will be expanded to introduce systems to improve the budget estimation process, reduce waste and check fraud. The implementation of the Human Resource Management Information System will be rolled out to all MDAs by 2017 to help with the management of public sector workers.

157. Payroll management measures such as payroll audits, electronic salary payment voucher (e-SPV) and e-Pay slips will be intensified to reduce the incidence of ''Ghost" workers on government payroll.

158. The GRA revenue modernization programme will be deepened to improve efficiency and enhance revenue collection through measures such as:

i. Adoption of self-assessment for all tax payers to enhance compliance in tax payment;

ii. Implementation of the TRIPS (Total revenue Integrated Processing System) tax administration software to automate the domestic tax revenue division, integrate with the customs system and provide management information for decision making; and

iii. Continuing integration of VAT and income tax in all domestic tax offices as well as segmentation those offices as large, medium and small offices..

159. Ports will be allowed to operate on 24/7 hour basis to boost economic activity and revenue mobilization.

160. These will be accompanied with their respective regulations and will harmonize all the financial laws in the country including related to SOEs, JVCs and MMDAs as the first step towards general government budgeting, accounting and reporting. It will also provide guidelines on contract, procurements and commitments of government.

Improving Efficiency in the Management of Vehicles and Fuel by Public Institutions

161. Mr. Speaker, inefficiencies in the procurement and use of vehicles and fuel by public institutions has been identified as one of the causes of waste and abuse in the use of national resources.

162. In 2014, Government started a process to re-register government vehicles in an effort to improve their management in the delivery of government programmes.

163. In 2015, electronic solutions will be used to rationalize the procurement and use of fuel for public institutions. This solution will ensure among others that fuel procured by government is used only in designated vehicles. Full accounting for all fuel purchases will also be ensured. This will be done in conjunction with the on-going vehicle re-registration exercise.

POLICY INITIATIVES

164. Mr. Speaker, a number of policy initiatives will be pursued in 2015 to broadly address the prospects for the near term to enable government deliver on its transformational agenda. These include existing and new initiatives. Specifically, the areas to be covered will include initiatives in the following Strategic areas, Energy, Tax Policy, Structural Measures, New Debt Management, Export-Led Development, and Community Day SHS that leads progressively to Free SHS.

COMPLETION OF WESTERN CORRIDOR GAS INFRASTRUCTURE PROJECT

165. Mr. Speaker, I am pleased to announce that the Western Corridor Gas Infrastructure Project has now been successfully tied-in to the the FPSO Kwame Nkrumah.

166. Technical activities to facilitate the phased introduction of raw natural gas commenced on November 10, 2014. Over the next few weeks, the full commissioning of the gas processing facilities using the base stock gas will allow for the production and full supply of up to 150 million standard cubic feet of lean gas per day to the Volta River Authority at its Aboadze thermal power energy needs.

167. We also expect to produce various natural gas liquids including over 500 metric tons of liquefied petroleum gas LPG per day to meet some of our energy needs.

168. Mr. Speaker, this milestone of bringing gas on-stream will provide better power generation flexibility for our country. Indeed, the new Gas infrastructure will position the nation to make significant savings over crude oil imports for power generation.

169. We also look forward to the future expansion of the facilities to receive gas from the upcoming Tweneboa-Enyemra-Ntome (TEN) and Sankofa fields.

TAX POLICY INITIATIVES

Sliding Scale Excise Duty

170. Mr. Speaker, in November 2012, government introduced a sliding scale excise duty on beer and malt. This was to provide an incentive for brewery companies which use local raw materials as substitutes for their imported raw materials. The object of this local content policy is to increase employment opportunities, reduce our import bill, as well as increase capital investment and acquisition of new technology. Subsequently, a four tier excise regime was introduced. In 2015, government will review the policy to ensure greater efficiency and compliance by the beneficiaries. In the process, GRA will introduce appropriate guidelines and make recommendations for improvement.

Excise Duty on Tobacco

171. Mr. Speaker, Ghana's excise tax as a percentage of cigarette prices is one of the lowest in the region. It has been estimated that the excise tax as a percentage of retail price is 14 percent while the average for Africa is 33 percent. It has also been established that in order to reduce the consumption of tobacco and its related health hazards, excise tax should be 70 percent of the retail price. In pursuance of these goals the excise duty rate will be increased from 150 percent to 175 percent.

Tax Identification Number (TIN)

172. Mr. Speaker, in 2014, the GRA made it a must for all taxpayers to acquire TIN before transacting business at the various ports. Tax payers are also required to declare what tax office number they pay their taxes to customs authorities. In conjunction with the National Identification Authority (NIA), the requirement of the TIN will be extended to other sectors to facilitate the identification of eligible taxpayers. Again, to ensure that the status of persons on the Taxpayer Register is accurate, they will be required to validate their data every two years.

Amendment of National Health Insurance (NHIS) Act

173. Mr. Speaker, after ten years of implementing of the National Health Insurance Scheme, with the passage of the VAT Act 2013, (Act 870) to include fee based financial services and real estates in taxable activities, the National Health Insurance Act will be amended to conform to the new provisions. This will generate additional resources for the scheme.

Support to Local Industries

174. Mr. Speaker, as part of its policy to support local industries, Government, in the 2014 Budget removed import duties and VAT on raw materials used for locally produced exercise and text books under the supervision of Ministry of Education and HIV/AIDS drugs under the supervision of the Ministry of Health. In addition to these measures, Government in 2015 proposes to remove VAT on specified locally produced pharmaceuticals and some of the raw materials used for the production of these pharmaceuticals. The exemption policy will be based on VAT on a select list of special essential medicines not manufactured in Ghana and approved by the Minister of Health. This will ensure neutrality and reduce the cost of pharmaceuticals sold in Ghana and make them more affordable to Ghanaians.

175. Government will also remove import duty and VAT on inputs for the production of machetes and also the production of exercise books and textbooks. This will benefit both our farmers and the printing industry.

176. Mobile phone penetration is high in Ghana. However smartphones form only 15% of this penetration. Communication is shifting from voice to data and mobile data is projected to grow 6.3 times between 2013 and 2018. It is being proposed that in order to increase smart phone penetration, and in line with Government's policy of bridging the digital divide within the country, import duties on smartphones will be removed. It is expected that

the increase in smartphone penetration will increase revenue from Communication Service Tax, VAT and corporate taxes.

Review of Exemptions

177. Mr. Speaker, government recognizes the role that tax incentives play in creating an enabling investment climate. Ghana still needs investments in critical areas of the economy. However it is necessary to reduce abuses and the granting of excessive exemptions.

178. The Free Zones Act will be reviewed in 2015 to enhance the relevance of activities in the sector so that greater emphasis is placed on manufacturing and value addition. Additionally, the corporate tax rate of companies after the enjoyment of the ten years tax holiday will be increased from 8 percent to 15 percent.

179. In 2015, government will abolish the use of the VAT Relief Purchase Order (VRPO) in granting of relief. The Refund system will be beefed up to pay refunds when the request are duly vetted and certified. Tax exemptions granted in loan agreements will also be reviewed to reduce the scope of exemption granted and the use of special permit will be drastically reduced. The terms of draft Agreements must refer to the application of tax treaties, where necessary.

180. A more efficient refund system will be put in place to cover duty drawback, VAT refund and corporate tax overpayments. The current VAT Refund Account, into which 5 percent of VAT revenue is paid, will be replaced with a General Refund Account into which up to 5 percent of GRA collection will be paid for tax and duty refunds. The General Refund Account will be audited annually and any balance standing in the account at the close of the financial year, will be transferred into the Consolidated Fund.

181. Mr. Speaker, the upfront exemptions will be replaced by Tax Credit System for entities benefiting from exemptions. Under Tax Credit System, exempted entities will pay all import duties and taxes in full and apply for a Tax Credit Note which will be used to offset future tax liabilities.

Compliance

182. In 2014, the GRA initiated a taxpayer compliance monitoring measure which involved the use of tax payer and third-party data to match taxpayers' declaration in order to ascertain their compliance levels. This measure is designed to improve Tax Payer Compliance using information reported to the GRA by tax payers and a range of third parties. The exercise started first with the use of data on importation from the GCMS and was subsequently extended to GIFMIS data covering payments made to government's suppliers.

183. Against the backdrop of the modest gains made, the GRA will scale up the project in 2015, with a view to making it a permanent and a routine compliance monitoring tool. In this regard, Customs procedures for the clearance of goods at the Ports are being reviewed to include the requirement for importers to indicate their TIN numbers and which domestic tax offices they pay taxes.

184. Also, the GRA will interface directly with the GIFMIS infrastructure so as to acquire data in real time for the exercise. GIFMIS infrastructure can subsequently be used to validate Taxpayer Identification Numbers (TIN).

STRUCTURAL MEASURES

Fiscal Rules

185. Mr. Speaker, government has been reviewing all the tax and financial laws and regulations currently in operation in the country to ensure that they

boost revenue, enhance fiscal performance, and enforce sanctions for non-compliance.

186. In this respect, the Ministry of Finance worked with Parliament to pass the VAT and Excise Bills. Currently, the Customs Bill is before this august House and the Income Tax and Revenue Administration Bills would be tabled soon. The Ministry will, in the medium term, submit to Cabinet and subsequently to Parliament, a new Loans Bill and a Financial Responsibility Bill which will contain comprehensive provisions on budgeting and integrate the Financial Administration Act and Financial Administration Regulation.

Enhancing Flexibility in the Budget

187. Mr. Speaker, the national budget is increasingly becoming inflexible to manage as well as to accommodate shocks and changes in government priorities. These are mainly due to the earmarking of a huge component of the budgetary resources as statutory transfers in addition to existing statutory liabilities, such as wages and salaries, amortisation, and interest payments.

188. Most of the expenditures for which these transfers are made invariably have to be funded from the Consolidated Fund, causing duplication of efforts. Furthermore, as a result of these inflexibilities, during downturns almost all the discretionary expenditures which are predominantly in the MDAs budget are funded by loans from domestic and foreign sources.

189. Mr. Speaker, in the medium term, government will propose measures to realign expenditures under the Statutory Funds hitherto being catered for under the Consolidated Fund. Starting with the 2015 Budget and as a transitional arrangement, government will enhance the administrative process for aligning statutory fund expenditures to national policies and priorities.

Ghana Infrastructure Investment Fund (GIIF)

190. Mr. Speaker, thanks to this august House, the GIIF was established by the Ghana Infrastructure Investment Fund Act, Act 877 of 2014. The Fund is to mobilise, manage, coordinate and provide financial resources for investment in the diversified portfolio of infrastructure projects for national development. The GIIF is to begin effective operations in 2015 after the announcement Board and Advisory Council Members. An executive search is underway for the Chief Executive. The World Bank and the AfDB have pledged their support in setting up the GIIF.

191. Mr. Speaker, in the interim government will transfer key projects on government balance sheet that meet the GIIF primary commercial loans criteria to the Fund to manage. These complimentary escrow and on-lending project loans including Bui Dam, Gas processing Plant and Pipelines. Furthermore, funding requirements for self-financing projects being undertaken with government guaranteed loans will be passed to GIIF. In addition, counterpart funding for some selected commercial projects will be provided from the Fund. Projects and loans associated with Special Purpose Vehicle (SPVs), Joint Ventures and PPP projects will also qualify for funding under GIIF. As the list shows, most of the projects to be covered by GIIF will be in the energy, road and transport sectors.

Introduction of Pre-Budget Statement

192. Mr. Speaker, to facilitate better engagement with the Legislature and improve participation of the Citizenry in fiscal policy management, Government will enhance the use of Budget guidelines for MDAs by piloting a Pre-Budget Statement in 2015. The pre-budget statement will provide the broad framework as well as parameters which will be the basis of the budget to be presented to Parliament. It will also signal government policy. The Ministry of Finance will engage Parliament to work out modalities with

the view to introducing the Pre-Budget Statement as part of the budget process.

Debt Management Strategy

193. Mr. Speaker, Government debt management strategy will continue to focus on providing a more cost-effective access to the international and domestic capital markets. It will also support multilateral as well as improvements of the domestic capital market to meet national development needs.

194. As you may recall, in 2014, Government tapped the Eurobond market to obtain long-term funds for debt restructuring, counterpart funding and financing of capital expenditure. This is in line with the objective of diversifying sources of funding, extending the tenor of public debt and reducing the overall cost of borrowing.

195. In 2015 government will consolidate its policy of using short-term borrowings primarily for liquidity management purposes and long term borrowings for capital expenditure. In this regard, government will continue to work towards extending the yield curve to 10 years.

196. Key initiatives to consolidate sustainability and efficiency in debt management are indicated as follows:

Sinking Fund

197. Mr. Speaker, government will operationalize the Sinking Fund to manage the orderly redemption of Sovereign Bonds and other debt instruments in 2015 in accordance with sections 88-93 of the Financial Administration Regulations (2004) L.I. 1802. Under the Sinking fund, Government will set aside funds to liquidate debt maturing debt.

198. The experiment we conducted with the cap of the Stabilisation Fund that Parliament approved, clearly shows that the Sinking Fund can be financed from the excess over the cap set aside for debt servicing. In this regard we

are proposing the concept of a moving cap and percentage allocation to address all the goals of the stabilization Fund-growing the Fund, contingency and debt service.

On-lending and escrow arrangements

199. Mr. Speaker, in 2014, Government introduced an on-lending and escrow account initiative to minimize the impact of loans on the public debt portfolio with debt service accounts opened at the Bank of Ghana. In this regard, a number of on-lending agreements have been signed with some SOEs and MMDAs, to facilitate the recovery of these loans. Government will continue with the on-lending and escrow arrangements in 2015, as a permanent feature of our debt strategy. We will tie the policy firmly to counter-guarantees and standing orders from reputable banks. We propose to extend the recovery to prices that MDA charge for use of debt financed projects. The use of these fees as IGFs without setting aside funds for maintenance and replacement is anomaly that must stop.

Capital Market Development

200. Mr. Speaker, a well-developed domestic capital market is critical to Government's ability to mobilize the necessary funds to support infrastructure projects. In addition, such markets are necessary for enhanced financial stability, better integration into the global financial system, and provide a platform for private sector firms to diversify their sources of capital by tapping into the domestic capital market.

201. Mr. Speaker, Government is widening the scope of financing opportunities through measures such as the issuance of the 7-year domestic bond and the regular publication of an issuance calendar among others. We will initiate steps with Bank of Ghana and SEC to float the Government 3-year, 5-year and 7-year bonds on the stock exchange. We shall use the book building approach in allocating the issue similar to the method we used for the Eurobond on the international and domestic capital markets.

Ghana EXIM Bank

202. Mr. Speaker, the transformation agenda, which has been articulated by His Excellency the President clearly indicates the need to transform our economy into an export oriented economy. It is necessary to adopt policies that tilt our economy predominantly towards exports. To achieve the desired transformation, Cabinet has approved the creation of a Ghana Export-Import Bank to lead in the strategic positioning of Ghana as an export-led economy.

203. The establishment of the EXIM, will also enable us to take advantage of international trade initiatives such as African Growth and Opportunity Act (AGOA) and Economic Partnership Agreement (EPA). The Cabinet approval includes the use of 50percent of EDAIF funds to set up the bank. Ghana Exim will be a vehicle for the consolidation of the current export finance activities of the EDAIF, Eximguaranty Company and Export finance company.

204. In this regard, Cabinet also approved the setting up of a Presidential Committee to implement the scheme.

Export-led Development Strategy

205. Mr. Speaker, over the years, Ghana has been relying on a few primary products, especially gold and cocoa and in recent times oil as the main export commodities. As part of the strategies to boost foreign exchange earnings, in 2015 and the medium term we will focus on expanding non-traditional exports from about US$2.3 billion to US$5 billion. The strategy will be to take advantage of the purchasing power of consumers in the ECOWAS, BRICS and global market.

206. Mr. Speaker, as part of the expanded export-led development strategy, government will intensify the campaign to promote made-in-Ghana goods and services.

ENHANCING DOMESTIC PRODUCTION TO REDUCE IMPORTS

207. Mr. Speaker, in 2013, import of rice, fish, poultry and tomato products was almost $1 billion. Government will continue with its policy to enhance the local production of these commodities as follows:

i. Revamping of the Broiler Programme

Mr. Speaker, this programme is aimed at reducing the importation of chicken by 40 percent by the end of 2016. This is being implemented by the Ministry of Food and Agriculture in collaboration with the Ministry of Trade and Industry and the Ghana National Poultry Farmers Association. Under this programme, 20 million broilers will be produced and this will result in 60,000mt of Poultry meat. It is expected that Ghana will save about US$132 million and reduce poultry import by 38.9 percent.

Mr. Speaker, during the year, government initiated the process of modernising the mode of grains and tuber trading as announced in the 2014 Budget. Two new markets for the trading of agriculture commodities were started. A taskforce was set up and the services of a consultant procured to provide technical advice for the implementation.

ii. Fish Production

Mr. Speaker, government will rationalise the fisheries regulations and EU issues to enable the country accrue over 500 million dollars in export earnings in 2015 and beyond. The tuna industry will also be revamped to increase foreign exchange earnings for Ghana. The export of other fishery products including smoked fish, tilapia and ornamental fish will earn over US$100 million US dollars as additional export revenue for the country.

COMMUNITY DAY AND PROGRESSIVELY FREE SHS

208. Mr. Speaker, in fulfilment of our promise to construct more Community Day Senior High Schools, Government began the construction of the first 73 Senior High Schools in as many selected districts across the country. In 2015, the second phase of the construction of the Community Day Senior High School Project will commence with an additional 50 Schools.

209. Mr. Speaker, Government is committed to making secondary education progressively free starting from 2015/2016 academic year. In this regard, in 2015, Government will absorb GES-approved examination, library, entertainment, SRC, science development, sports, culture, and internet fees charged to secondary level students. This is expected to benefit about 367,565 day students in the 2015/2016 academic year.

CONCLUSION

210. Mr. Speaker, I wish to conclude by giving a firm assurance on behalf of H.E., President Mahama, to this August House and to all Ghanaians, that the medium term prospects for this country's economy is bright, and that the transformational agenda of the NDC government is on course.

211. In the near term, we will have access to additional oil and gas revenue, employ risk management tools, smoothen forex flows and increase value addition through diversification and effective tariff classification and variation. In addition, government will put in place measures to boost Ghana's foreign exchange resources so as to improve its foreign exchange reserves and maintain exchange rate stability even after the IMF programme.

212. We believe that the measures we have outlined in this budget to address the structural and fiscal weaknesses, will lead to an improved fiscal situation, strengthened rules for PFM, and create an enabling environment for increased local production and an expansion of the economy.

213. Mr. Seaker, I wish to renew government commitment to the people of Ghana that with this budget,

i. We will stabilise the economy through measures that are beginning to bear fruits;

ii. We will introduce new rules and deploy systems to strengthen expenditure management notably in pay roll management which will reduce waste and corrupt practices as well as facilitate the application of sanctions;
iii. We will strengthen state institutions and improve the governance of this country;
iv. we will build the 50 secondary schools and begin the progressively free education programme we promised;
v. We will expand health facilities and complete the over 100 CHPS compound including those that Ministers are committed to building ;
vi. We will complete a number of roads and water systems we started ;
vii. We will increase the generation capacity of energy to reduce power outages and complete various ongoing infrastructure projects;
viii. We will provide cash grant to over 150,000 households and over 400,000 individual beneficiaries so that the extremely poor will not go to bed hungry; and
ix. We will ensure that we increase opportunities for Ghanaians to have a better life.

214. Mr. Speaker, we are strengthened in our resolve to implement this budget. However to do this we will need help, help and support from this August house and the entire people of Ghana. We have not wavered in our commitment to provide a better Ghana for our people, a commitment that is bold and pragmatic to acknowledge challenges and plan to resolve them. Above all, we believe that this budget offers another opportunity for us to work together to achieve the goals of promising medium term opportunities. Mr. Speaker, we wish the Black Stars well in today's match, an "activity" that will boost the objectives of a "programme" to qualify for the African Cup of Nations.

215. Rt. Hon. Speaker, I beg to move.