OVERVIEW OF 2009 BUDGET STATEMENT

BY
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MINISTRY OF FINANCE.
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Outline

• Introduction and background of the 2009 budget
• Macroeconomic Performance for 2008
• Medium Term Macroeconomic Framework
• Macroeconomic Targets for 2009
• Sectoral Programmes and Policy Initiatives
• Challenges to the Budget
MACRO-PERFORMANCE FOR 2008

Provisional results indicates the following for 2008:
• a real GDP growth of 6.2%;

• an end period inflation rate of 18.1% against target of 6.0 - 8.0 %;

• an average inflation of 16.5 against target of 7.0 %;

• Gross international reserves of 1.8 months; and

• an overall budget deficit including divestiture of 11.5 % against target of 4.0 % of GDP and
• an overall budget deficit excluding divestiture of 14.9% against 5.7 % of GDP.
Medium-term Macroeconomic Targets

The Government of H.E. President Mills has the following medium term macroeconomic targets:

- average real GDP growth of about 8 per cent;
- average consumer price inflation of a single digit;
- gross international reserves of not less than three months of import cover;
- overall budget deficit equivalent to 3.0 per cent of GDP;
- Stabilization of the total public debt at no more than 60 per cent of GDP.
Macroeconomic Targets for 2009

• real GDP growth of 5.9 per cent;
• average inflation target of 15.3 per cent;
• end period inflation of 12.5 per cent;
• an overall budget deficit equivalent to 9.4 per cent of GDP;
• gross international reserves of more than two months of import cover of goods and services.
Analysis of the 2009 budget

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Payments</td>
<td>9,793,131,406</td>
<td>100.0%</td>
</tr>
<tr>
<td>Statutory Payments</td>
<td>3,012,736,795</td>
<td>30.8%</td>
</tr>
<tr>
<td>Discretionary Payments excl. salaries</td>
<td>4,246,563,218</td>
<td>43.4%</td>
</tr>
<tr>
<td>Personal Emoluments (MDAs- Item 1)</td>
<td>2,533,831,393</td>
<td>25.9%</td>
</tr>
<tr>
<td>Domestic Revenue</td>
<td>5,935,117,462</td>
<td>60.6%</td>
</tr>
<tr>
<td>Foreign Grants</td>
<td>1,301,940,000</td>
<td>13.3%</td>
</tr>
<tr>
<td>Foreign Loans</td>
<td>1,029,180,000</td>
<td>10.5%</td>
</tr>
<tr>
<td>Exceptional financing</td>
<td>134,700,000</td>
<td>1.4%</td>
</tr>
<tr>
<td>Domestic Financing (Borrowing)</td>
<td>1,392,193,945</td>
<td>14.2%</td>
</tr>
</tbody>
</table>
Expenditure Rationalization for 2009

- Reduce State Protocol budget drastically
- Reduce the budget for official travel of all MDAs
- Reduce the budget on official seminars and workshops
- Strengthen Public Financial Management;
- Implement the Treasury Single Account (TSA)
Agricultural Financing and Development

- Government will review the Export Development and Investment Fund (EDIF) Law to include the use of the Fund for agricultural investment and infrastructure.

- Government will also re-activate commercial agriculture – in rice, mango and cotton farming in the three Northern regions.

- Reactivate the Aveyime rice project under a public private partnership arrangement.

- review the current Land Administration Programme (LAP) to include the use of the relevant institutions of Government
Policy Initiatives

– Education
  • Provision of free school uniforms for about 1.6 million

  • Increase in Capitation Grant from GH ¢3.00 to GH ¢4.50; and

  • Provision of free exercise books for every pupil in all public basic schools.
Health

• Government will intensify the distribution of insecticide treated nets (ITNs) and indoor residual spraying and scale up biolarviciding projects;

• NHIS Law will be reviewed to address the challenges that have emerged
Water and Sanitation

- Government will review all water projects
- Abolish five per cent contribution to the cost of water projects;
- Government will collaborate with District Assemblies nationwide to effectively tackle the sanitation situation across the country.
Agricultural Development - Fisheries

• Review all existing agreements on fishing within Ghana’s territorial waters.

• Government has contracted a loan of US$ 39 million to purchase patrol boats;

• Government will ensure that no foreign and local fishing trawlers use any unorthodox fishing methods to deplete the marine resources in our territorial waters.

• Government will construct two fishing Harbours at James Town and Elmina fourteen landing sites.
Agricultural Development
Fisheries

• Ice blocks and crushed making plants would be established in some of the fishing communities
• An aquaculture facility at Asamasa in the Western Region would be completed in the course of the year.
Bridging the Development Gap and Addressing Extreme Poverty

• Government will establish the Savannah Accelerated Development Authority (SADA).

• The Northern Development Fund Act will be reviewed accordingly.

• Harness the resources of the Savannah areas with value-added processing, improved technology coupled with strategic investments in people and social services.

• CEDECOM will be re-activated as a regional development institution
• National Revenue Authority
• Government to initiate the process of merging the three revenue agencies under an Office of Commissioner-General of Revenues.

Petroleum Taxes Reduction
• Reduction of taxes on petroleum products
Establishment of a Sinking Fund to retire Sovereign and Jubilee Bonds

• Government will initiate the process for the creation of a Sinking Fund account to ensure availability of funds for repayment at the maturity dates
IMPLEMENTATION CHALLENGES

• External Shocks
• Salary Administration
• Fiscal Management
• Contingent Liabilities

• But: The Ministry has set up a high powered Implementation Committee to supervise the Budget 2009.
Conclusion

• Expenditure Rationalisation
• Institutionalizing Cost Saving Measures
• Sustaining Increases in Revenue