



# **HIGHLIGHTS MID – YEAR FISCAL POLICY REVIEW OF THE**

**2017 BUDGET STATEMENT AND ECONOMIC  
POLICY OF THE GOVERNMENT OF GHANA**

**PRESENTED TO PARLIAMENT ON  
MONDAY 31<sup>ST</sup> JULY, 2017 BY**

**KEN OFORI-ATTA  
MINISTER FOR FINANCE**



In Accordance with Section 28 of the Public Financial  
Management Act, 2016 (Act 921)



## HIGHLIGHTS OF THE MID-YEAR FISCAL POLICY REVIEW

### INTRODUCTION

- 2017 Mid-year Review Fiscal Policy Review is the first to be done under Section 28 of the Public Financial Management Act, 2016 (Act 921)

In fulfilment of the President's promise, Government has:

- abolished the 1 percent Special Import Levy which was imposed mainly on imported raw materials and machinery;
- abolished the 17.5 percent VAT/NHIL on financial services;
- abolished the 17.5 percent VAT/NHIL imposed on airline tickets;
- abolished the excise duty on petroleum to reduce the excess burden on final consumers;
- reduced the special petroleum tax rate from 17.5 percent to 15 percent to mitigate the excess burden on final consumers;
- abolished the 5 percent VAT flat rate on the sale of real estate;
- abolished import duty on spare parts;
- exempted from tax, the gains from realization of securities listed on the Ghana Stock Exchange;
- reviewed the ESLA to reduce the cost of power and reduced the National Electrification Scheme Levy from 5 percent to 3 percent; and the Public Lighting Levy from 5 percent to 2 percent;
- replaced the 17.5 percent standard rate with the 3 percent flat VAT/NHIL rate for supplies by retailers and wholesalers; and
- Capped earmarked funds to 25 percent of tax revenue.

### Updates on Macroeconomic Developments in 2016

- real GDP growth was 3.5 percent, against the provisional estimate of 3.6 percent;
- fiscal deficit was 9.3 percent of GDP compared to the provisional figure of 8.7 percent of GDP on cash basis;
- deficit on commitment basis was 10.9 percent of GDP up from the provisional figure of 10.3 percent;
- the interest payment reversed in 2016 amounted to GH¢758.5 million;
- Nominal GDP was revised from GH¢168.73 billion to Gh¢167.31 billion.

## HIGHLIGHTS OF THE MID-YEAR FISCAL POLICY REVIEW

### MACROECONOMIC PERFORMANCE (JANUARY-JUNE, 2017)

- **Growth:**
  - Real GDP Growth for first quarter was 6.6 percent against 4.4 percent for the same period in 2016;
    - Agriculture was 7.8 percent against 5 percent for the same period in 2016;
    - Industry was 11.5 percent against 1.8 percent for the same period in 2016;
    - Services was 3.7 percent against 6.6 percent for the same period in 2016.
  - Non-oil GDP growth rate was 3.9 percent against 6.3 percent for the same period in 2016;
- **Inflation:** 12.1 percent at end June, down from 15.4 percent at end December 2016;
- **The 91-day T-bill rates:** 12.08 percent at end June, down from 16.4 percent at end 2016;
- **Gross International Reserves:** US\$5.9 billion (3.4 months of import cover) in June, up from US\$4.9 billion (2.8 months of import cover) at end December 2016

### Provisional Fiscal Performance January-June

- Total Revenue and Grants amounted to GH¢17.5 billion (8.6 percent of GDP) against a target of GH¢20.5 billion (10.1 percent of GDP);
- Total Expenditure, including payments for the clearance of arrears amounted to GH¢23.0 billion (11.3 percent of GDP), against a target of GH¢27.6 billion (13.6 percent of GDP);
- Wages and salaries amounted to GH¢6.8 billion (3.4 percent of GDP) against a target of GH¢6.9 billion;
- Goods & Services amounted to GH¢854.6 million (0.4 percent of GDP) against the target of GH¢1.4 billion (0.7 percent of GDP);
- Interest payments amounted to GH¢6.7 billion (3.3 percent of GDP) against a target of GH¢7.1 billion (3.5 percent of GDP);
- Capital Expenditure (CAPEX) amounted to GH¢2.4 billion (1.2 percent of GDP), representing 81.8 percent of the target of GH¢2.9 billion (1.4 percent of GDP) for the period;

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- Government to eliminate all arrears by end 2019 following the outcome of an audit of the outstanding commitments generated as at end 2016 and institute stringent measures that will prevent the accumulation of new ones.
- The fiscal deficit on cash basis was GH¢5.6 billion (2.7 percent of GDP) compared to GH¢6.7 billion (4.0 percent of GDP) recorded in the same period in 2016;
- The primary balance recorded a surplus of 0.6 percent of GDP, against a target deficit of 0.01 percent

### **Petroleum Receipts**

- Petroleum receipts in the first half of 2017 amounted to US\$277.79 million, compared to the end-year projection of US\$515.57 million

### **Developments in Public Debt**

- the gross public debt stock stood at a provisional figure of GH¢138.5 billion (US\$ 31.7 billion) as at end June 2017
- The stock comprised external and domestic debt of GH¢74.6 billion (US\$ 17.1 billion) and GH¢ 63.9 billion (US\$ 14.6 billion) respectively

### **REVISED MACROECONOMIC TARGETS FOR 2017**

- Overall GDP growth rate maintained at 6.3 percent
- Nominal GDP revised slightly to GH¢202.01 billion from the original projection of GH¢203.41 billion;
- non-oil GDP growth rate maintained at 4.6 percent;
- end-year inflation rate maintained at 11.2 percent;
- overall fiscal deficit revised downwards from 6.5 percent of GDP to 6.3 percent of GDP;
- primary balance revised from a surplus of 0.4 percent of GDP to a surplus of 0.2 percent of GDP; and
- Gross Foreign Assets to cover at least 3 months of imports of goods and services, same as originally programmed.

### **Revisions to Total Revenue and Grants, and Expenditure**

- Total Revenue and Grants has been revised downwards by 0.9 percent of GDP from GH¢44.5 billion to GH¢43.1 billion
- total Expenditure has also been revised downwards by 1.1 percent of GDP from GH¢58.1 billion to GH¢55.9 billion

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Key revisions to expenditures include:

- 0.4 percent of GDP (GH¢867.0 million) adjustment to Goods and Services;
- 0.3 percent of GDP (GH¢553.2 million) reduction in total transfers to Other Government Units, which comprise all statutory and earmarked funds; and
- 0.3 percent of GDP (GH¢683.0 million) adjustment to Capital expenditure

### **Overall Balance and Financing**

- Overall fiscal balance is expected to improve from a deficit of GH¢13.2 billion (6.5 percent of GDP) to GH¢12.8 billion (6.3 percent of GDP).

*Government to introduce a numerical fiscal rule to guide implementation of Fiscal Policy. In this regard an amendment to the PFMA to limit fiscal Deficit within a range of 3 to 5 percent of GDP for any financial year to be brought to Parliament.*

## **STATUS OF KEY SECTOR POLICY INITIATIVES**

### **Agriculture Sector**

‘Planting for Food and Jobs’:

- About 185,907 farmers out of 200,000 farmers targeted for the 2017 cropping season were registered and being provided with seeds, fertilizers and extension services to improve their yields.
- 1,896 hectares of maize, rice, soybean, sorghum, onion, pepper and tomatoes is under cultivation. An additional 569 hectares will be cultivated before the end of the year to bring the total to 2,465 hectares.
- 822 agricultural extension officers were recruited and posted to 187 districts across the 10 regions of the country.

### **Cocoa**

- 10,000 hand pollinators were trained and deployed to assist farmers.
- Mass Cocoa Spraying campaign was reformed to involve greater private sector participation and farmer ownership.

### **Education**

- Free SHS ready to take-off in September this year as planned.
- interventions being implemented to ensure that the quality of education is not compromised:

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<ul style="list-style-type: none"> <li>✓ Provision of four core textbooks for all first year students;</li> <li>✓ Rationalization of teacher deployment and training at the SHS level;</li> <li>✓ Optimization of instruction time by extending the school day as well as the number of instructional days;</li> <li>✓ Establishment of robust school inspection and accountability systems; and</li> <li>✓ One hot meal a day for day students.</li> </ul>
<p><b>Railways Development</b></p> <ul style="list-style-type: none"> <li>• Construction of the Tema to Akosombo rail line has commenced and it is projected to be completed by mid-2020.</li> </ul>
<p><b>Youth Employment Agency (YEA)</b></p> <ul style="list-style-type: none"> <li>• Over 60,000 unemployed youth to be employed under the Security, Afforestation, Graduate internship, Paid internship and Sanitation modules</li> </ul>
<p><b>Anti-Galamsey - Multilateral Mining Integration Project (MMIP)</b></p> <ul style="list-style-type: none"> <li>• Over 500,000 job opportunities in oil palm plantations and regulated small-scale mining will be created under a five-year Multilateral Mining Integration Project (MMIP) project.</li> </ul>
<p><b>Infrastructure for Poverty Eradication Programme (IPEP)</b></p> <ul style="list-style-type: none"> <li>• The One District, One Factory; One Village, One Dam; Small Business Development; Agricultural Infrastructure; “Water for All” Projects; and Sanitation Projects to take off before the end of the year</li> </ul>
<p><b>Formalising the Economy and Financial Inclusion</b></p> <ul style="list-style-type: none"> <li>• Government is on course to completing the National Digital Property Addressing System. The issuance of National Identity Cards will also commence in October 2017. The Interoperability project is scheduled for completion by end 2017</li> </ul>
<p><b>Expenditure Management and Commitment Control</b></p> <ul style="list-style-type: none"> <li>• Steps are underway to clean the payroll data using the SSNIT biometric database. Preparatory works are also on going to interface the Government payroll with SSNIT biometric database as well as register Government CAP 30 workers on the SSNIT Biometric database before the end of the year.</li> </ul>
<p><b>2018 Wage Negotiations</b></p>

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- 2018 National Daily Minimum Wage determined and public sector base pay successfully negotiated by the Public Sector Joint Standing Negotiating Committee (PSJSNC) to increase by 11 percent.

### **Conclusion**

- Focus of government in the first half of the year was to stabilize the economy and re-establish the principles of good economic governance.
- Foundation has been laid for successful implementation of flagship programmes
- actual implementation of flagship programmes to commence in the second half of the year
- Measures to strengthen revenue performance to enable government achieve its objectives are being put in place.
- In the spirit of prudent economic management, expenditures have been revised, however promises made to Ghanaians will not be compromised.