



REPUBLIC OF GHANA

BUDGET SPEECH

THE BUDGET STATEMENT AND ECONOMIC POLICY

of the

GOVERNMENT OF GHANA

for the

2014 FINANCIAL YEAR

presented to

PARLIAMENT

on

TUESDAY, 19TH NOVEMBER 2014

by

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Minister for Finance

on the Authority of

H.E PRESIDENT JOHN D. MAHAMA

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SECTION ONE: INTRODUCTION

1. Mr. Speaker, I beg to move that this august House approves the Financial Policy of the Government for the year ending 31st December, 2014.
2. Mr. Speaker, on behalf 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 2014 to the House.
3. Mr. Speaker, this presentation is an abridged version of the 2014 Budget Statement. I would like to request the Hansard Department to capture the entire Budget Statement and Economic Policy.
4. Mr. Speaker, in March this year, I presented the 2013 Budget Statement and Economic Policy of the Government to this august House. The election petition case was still ongoing at the time and therefore we must be grateful for the lifting of the cloud of economic uncertainty that came with the decision which reaffirmed H. E. President John Dramani Mahama as the validly elected President of the Republic of Ghana. His Excellency, the President has since led many to compliment Ghanaians for making our democracy strong.
5. The 2013 Budget was based on the Ghana Shared Growth and Development Agenda (GSGDA: 2010-13) which lapses this year. The successor plan, for the next term (GSGDA II: 2014-17) is being finalized and will incorporate a medium-term vision and strategy for the country.
6. In the 2013 Budget, one of the primary objectives of Government was to deal with the high budget deficit caused by overruns that were highlighted in specific detail and explained to the House and the nation. While proposing solutions to tackle the causes of the overruns, we indicated clearly that the fundamentals of the economy were strong and the nation's medium-term prospects were also bright. Mr. Speaker, I have no reason to present a contrary view to this House at this moment.

7. Mr. Speaker, throughout the year, we have been putting a lot of focus on implementing programmes that will stabilize the budget situation, consolidate our Lower Middle Income Country (LMIC) status and extend its benefits to current and future generations. However, it is obvious that the additional focus on highlighting and correcting the short-term imbalances in the way the public purse is managed has led to some misconceptions and even deliberate distortions of our economic performance. Mr. Speaker, permit me, therefore, to be very clear on our performance and prospects for the nation:
- As a result of sound economic policies and priority interventions of the government, Ghana's GDP in nominal terms has more than doubled between 2009 and 2013;
 - Our real GDP growth rate which has averaged 7 percent in recent years, in spite of all the known challenges, is much higher than the Sub-Saharan African average of 4.9 percent and the average global rate of 3.2 percent. Indeed, the provisional 7.4 percent growth rate for 2013 reported by the Ghana Statistical Service showed positive growth rates for all sub-sectors. We should be proud of this performance as a nation;
 - For a nation which, according to the International Monetary Fund (IMF), is globally among three African countries (the others being South Africa and Nigeria) to have attracted the highest Foreign Direct Investments (FDI) with accumulated volume of more than US\$10 billion for the past decade, our record reflects the high investor confidence in the economy;
 - Mr. Speaker, our positive medium-term prospects are widely acknowledged, especially as we become a significant hydrocarbon and power producer in the sub-region while maintaining a diversified economy with a solid agricultural and service base. Therefore, Mr. Speaker, the confidence to which we ascribe also inspires us to acknowledge our short term challenges, but move beyond them with bold strategies to secure those positive prospects;

- Ghana won the confidence of the international financial markets with stable domestic bond performances that had been halted in 2007. Furthermore, in August this year, we issued a second international sovereign bond which was over-subscribed by US\$1.5 billion. It is against this background that we plan to make the recourse to development financing through Capital Market sources a prominent feature of our financing strategy;
 - Mr. Speaker, this government has been pursuing accelerated infrastructure development supported by effective public finance management and institutional reforms, to lay the foundation for the next decade of inclusive and shared growth. To reiterate, our country has high potential for development, underpinned by a relatively well-diversified economy, multiple growth drivers, a sizeable sub-regional market, hardworking and skilled citizens. We will continue to pursue the opportunities for prosperity and wealth with additional bold initiatives, as I shall highlight in this budget;
 - Therefore, Mr. Speaker, I stand before this Honourable House to present a budget that is truly transformational. In highlighting policies for consolidating our middle income status.
8. Mr. Speaker, our plan to address the short-term imbalances in the Budget, as presented to this House in March 2013, is also on course and it boosts our confidence in achieving the objectives of the GSGDA. For the avoidance of doubt, we presented a multi-year programme of adjustment, not one that would be completed in a single year.
9. A single year fiscal adjustment programme has never been our experience, not even under IMF programmes and, certainly, this is not the experience of even economically developed Western European countries that have had to make similar adjustments against the background of the global financial crisis. To do otherwise is to raise the bar excessively for Ghana which has chalked these sterling performances against known volatilities. The adjustment is, therefore, properly gauged, sequenced, and measured to avoid undue disruptions to the economy.

10. Mr. Speaker, against this background, permit me to account for the budget overruns that we reported in March, 2013:
- Firstly, the 2012 shortfall of GH¢384.1 million (0.5 percent of GDP) from Corporate Income Taxes (CIT) from the petroleum sector has been completely reversed and the projection for 2013 now shows a positive variance of GH¢224.6 million (0.3 percent of GDP);
 - Secondly, the adjustments in subsidies for petroleum products and utilities are projected to reduce the Budget overrun from GH¢339.0 million (0.5 percent of GDP) to GH¢244.9 million (0.3 percent of GDP). Our Budget strategy continues to include justifiable and targeted cross subsidies as part of our well-diversified social intervention policies, notably in the agriculture, education, health and energy (gas and solar) sectors;
 - Thirdly, while significantly delayed, we expect more in-flows of outstanding grants and budget support, as arising from recent consultations with our Development Partners (DPs). The consultations are also consistent with the compact with DPs to make our transition to Middle Income Country status smooth, particularly in relation to the MDGs. As a result we expect to come close to attaining the 2013 Budget target for this source of revenue;
 - Finally, in contrast, however, wages and salaries as well as debt service commitments remain areas of concern. The projected nominal overrun on wages and salaries for 2013 is still high at GH¢1,959.3 million (2.2 percent of GDP) compared to GH¢1,909.0 million (2.6 percent of GDP) in 2012; and
 - The overrun in interest payments has increased from GH¢245.0 million (0.3 percent of GDP) in 2012 to a projected outturn of GH¢1,249.2 million (1.4 percent of GDP) in 2013, despite positive signs that our refinancing strategy has resulted in modest reductions in interest rates in recent times.

11. Mr. Speaker, to further enhance the resilience of the economy against risks and promote our accelerated growth and development with job creation, it is imperative to continue to re-align the budget to national priorities. The theme for this budget is, thus, **"Rising to the Challenge: Re-aligning the Budget to meet Key National Priorities"**.
12. Mr. Speaker, in rising to the challenge, we will continue to address the causes of budget overruns with several tools that include the following:
 - **Petroleum and Utility Subsidy adjustments:** to reduce the adverse impact of hefty increases of utility tariffs and petroleum prices on households and businesses, Government, in collaboration with our social partners and guided by regulatory institutions, will continue the policy of gradually shifting to automatic price adjustment for petroleum and utility prices. This re-alignment will keep the subsidy within budget estimates and free more resources for key national priorities;
 - **Compensation for public sector workers:** While acknowledging the positive aspects in retaining public sector staff and improving their productivity and incomes, the SSPP is imposing severe fiscal strain on the Budget. It became necessary to tackle the overruns in compensation through engagement with Labour, private sector, civil society and employers at a Forum in Ho convened by of H. E. President John Dramani Mahama. The Communique from the forum recommended key and timely interventions that include:
 - i. moderation in, and conclusion of wage negotiations before the Budget for the ensuing year is presented to Parliament;
 - ii. a call on all social partners to adhere to the guidelines on the implementation of the Market Premium;
 - iii. resorting to negotiated resolution of Post Conversion difficulties rather than through industrial action;

- iv. working on a multi-year approach for the amount allocated as Compensation of Employees in annual budgets;
 - v. fast-tracking the Payroll improvements under the Ghana Integrated Financial Management Information System (GIFMIS) reforms to eliminate waste and abuse; and
 - vi. implementing the productivity elements of the SSSS reforms.
- Mr. Speaker, Government, Employers, and Organized Labour are continuing negotiations on the National Daily Minimum Wage and the public sector wage adjustments. We believe that we are, of one mind in putting the development of our nation first and determined that public sector compensation should not put any further stress on the fiscal envelop. The Budget must leave room for infrastructure development and other priority programmes. The social partners are committed to the removal of leakages and wastage in public pay administration and to bring the wage bill to sustainable levels to re-align the budget to national priorities.
 - Mr. Speaker, to demonstrate burden and in the spirit of the partnership from the Ho forum, H.E. President John Dramani Mahama, his Vice President, Ministers and Appointees have decided to take a voluntary 10 percent pay cut for 2014. The amount to be deducted by the Controller and Accountant-General will be paid into a fund to be dedicated to special purpose CHPS compounds focusing on maternal and neonatal health.
 - **Debt Service:** The reliance on short term domestic bonds to finance capital projects and the relatively high rates of interest has resulted in high debt service. Our main strategies include **refinancing** and extending the tenure of loans and bonds for financing the capital budget; implementing **recovery schemes** (e.g., escrows and on-lending) for commercially viable projects; and establishing a

Debt Service Account, to provide certainty of interest and loan repayments.

- **Limit on new loans:** Government has undertaken a thorough review of existing loans and facilities and has decided on contracting of new loans on exceptional basis only. This is also part of a comprehensive debt restructuring and management review.
- **Limit on new contracts:** Following the compilation of a comprehensive contract database, Government decided to suspend the award of new major contracts in 2013 to enable MDAs focus on on-going projects. New contracts were approved on exceptional basis only and the database has greatly aided our shift from cash to accrual or commitment basis for government accounts.
- **Counterpart Funds:** Furthermore, since the completion of some pipeline contracts was hindered by lack of counterpart funds, this Honourable House will recall that a specific provision was made to, partly, clear these outstanding commitments from the proceeds of the August 2013 Sovereign Bond.
- **Tax Measures:** Earlier this year, the House approved some revenue measures to complement the effort to stabilize the fiscal situation. Ghana has a liberal tax regime that was engineered in the 1980s and, therefore, it was not our intention to reverse the trend. Hence, many of the new tax measures came with “sunset” clauses. The measures have started yielding results.
- Mr. Speaker, last week Parliament passed a new VAT Act that increases the rate to 15 percent (excluding 2.5 percent for NHIL). It is proposed that, in addition to stabilizing the fiscal situation, the entire amount from the 2.5 percent VAT be dedicated to our ongoing infrastructure and development drive under the proposed Infra Fund to be discussed later. This proposal will also support our budget re-alignment theme in favour of capital expenditures or assets. The

allocation will be made annually to the capital budget through appropriation.

- Mr. Speaker in line with the objective of maintaining a liberal tax regime, it is proposed that the following amendments should be considered and approved by the House:
 - i. National Fiscal Stabilization Levy: The NFSL, which is expected to end at December 2014 will now terminate at June 2014;
 - ii. Special Import Levy scheduled to end in June 2015 will now end at the close of 2014;
 - iii. Special Import Levy: It is also proposed that the following be specifically exempted from the Special Import Levy, with immediate effect – agriculture and fishing inputs such as cutlasses, outboard motors and fishing nets; medical supplies such as condoms; educational materials and energy bulbs that were exempted from import duty under the original customs tariff.
- Mr. Speaker, the preference for VAT is more efficient and the level of compliance through the credit mechanism leaves little room for doubt. VAT also protects the socially vulnerable groups by exempting products from agriculture and fishing sectors, health, education and transportation by removing input tax from output tax without which the price of final product could have been higher.
- **Programme Based Budgeting:** Mr. Speaker, to facilitate improvement in the budget, the 2014 Budget is presented in the Programme Based Budgeting (PBB) format. Unlike the Activity-Based Budgeting approach which has been used in the last fifteen years, focus will shift from inputs and activities to service delivery and results. This will add to several ongoing PFM initiatives such as:
 - i. Ghana Integrated Financial Management Information Systems (GIFMIS);

- ii. Financial Accounting and Payroll Upgrade;
- iii. Human Resource Management System (HRMS);
- iv. Ghana Revenue Authority modernization; and
- v. Fiscal Decentralization.

13. Mr. Speaker, the theme of this year's Budget **“Rising to the Challenge: Re-aligning the Budget to meet Key National Priorities”** stems from His Excellency President Mahama's vision and strategic direction of (quote) “a stable, united, inclusive and prosperous country with opportunities for all, and reinforce the foundation for socio-economic transformation in partnership with the private sector(unquote)”. His utmost commitment to the people of Ghana is to enhance the Better Ghana Agenda through "Decent Work" for Ghanaians. This overarching priority is anchored on the four pillars of the Government's Medium-Term Development Agenda, namely:

- Putting People First, by addressing the Human Development issue – through improved access to quality healthcare and education, addressing productivity and employment needs of our people including the vulnerable;
- A Strong and Resilient Economy - ensuring and the sustaining macroeconomic stability, competitiveness of private sector, rejuvenating trade and industry; and accelerating agricultural modernization and sustainable natural resources management;
- Expanding Strategic Infrastructure, especially oil and gas, strategic roads, ports and special development zones; and
- Enhancing Transparent, Decentralized and Accountable Governance, in a manner that focuses priority on anti-corruption measures, advancing decentralization and service provision to citizens.

14. Mr. Speaker, the GSGDA II (2014--2017) is being finalized by Government and will be presented to this Honourable House in due course.

15. Mr. Speaker, consistent with the medium term objectives, Government will pursue programmes and policies to achieve and sustain an average real GDP growth of not less than 8.0 percent in the medium term.
16. Mr. Speaker, the attainment of Lower Middle Income Country (LMIC) status, however, has led to reduction in very soft and long term aid inflows, with attendant fiscal and balance of payments challenges. Two of our multilateral development partners, the World Bank (IDA) and the African Development Bank (AfDB), have varied the terms of credit to Ghana as a result of our LMIC status. For example, World Bank credit at 0.75 percent service charge and 40 years of maturity is now revised to 1.25 percent and a maturity of 25 years. Likewise, the African Development Bank has notified us of changes in the terms of their credit, similar to that of the World Bank.
17. Mr. Speaker, the achievement of the medium term national development priorities will require a bold effort at doing things differently. This will also require the elimination of corruption in as emphasized by His Excellency President John Dramani Mahama who has led the way by announcing bold anti-corruption initiatives.
18. Mr. Speaker, Government will continue with all the ongoing infrastructure projects in all sectors as well as the social intervention programmes, the details of which have been presented in section five of the main Budget document.
19. Mr. Speaker, I will now continue to present the key aspects of the 2014 Budget.

GLOBAL ECONOMIC DEVELOPMENTS

20. Mr. Speaker, after five years of weak, sluggish and uneven recovery from the global financial crisis, the performance of the global economy remained low for the first half of 2013. This has made the current crisis the lengthiest in a century. Projections, however, continue to foresee a modest acceleration of activity, driven largely by the advanced economies.
21. According to the October 2013 World Economic Outlook (WEO) of the IMF, world output growth is forecast to reach about 3.3 percent in 2013 and 4.0 percent in 2014. The global growth is expected to come mainly from the United States, as fiscal consolidation eases and monetary conditions stay supportive. The Japanese economy, which has rebounded recently, is expected to lose steam in 2014 due to fiscal tightening. While growth in the Euro Zone is expected to remain sluggish.
22. Mr. Speaker, economic activity in Sub-Sahara Africa was robust in the first half of 2013, despite the recent global financial market volatility which has affected mainly frontier economies. The region is expected to end 2013 with an average growth rate of 5 percent, but increase to 6 percent in 2014.
23. Mr. Speaker, economic growth in the West African Monetary Zone, as depicted in the Zone’s aggregate real GDP was 6.7 percent during the first half of 2013, compared to 6.4 percent in the corresponding period of 2012. The growth was driven by increased economic activity in all sectors of the economies of most member states.
24. Mr. Speaker, the impact of the global developments on the Ghanaian economy is mixed and diverse. Events in the Middle East and North Africa continue to threaten oil prices. Expected high unemployment rates in advanced economies are also likely to weaken aggregate demand, and have implications for commodity exporters such as Ghana.

MACROECONOMIC PERFORMANCE IN 2013 AND OUTLOOK FOR 2014

Real Sector

25. Mr. Speaker, the Ghana Statistical Service (GSS) estimates the provisional 2013 real GDP growth at 7.4 percent, lower than a projected growth of 8.0 percent and the 2012 growth of 7.9 percent.
26. Mr. Speaker, even though this real GDP growth rate of 7.4 percent is lower than the 2013 Budget projection of 8.0 percent, the real GDP value is higher than projected in the 2013 Budget. The value of GH¢32,332 million, compares favourably with the 2013 Budget projection of GH¢32,109 million and with the 2012 revised real GDP level of GH¢30,099 million. This performance is remarkable, given that it is on top of a much larger GDP base.
27. Mr. Speaker, the Services Sector once again led the overall GDP, with a growth of 9.2 percent, followed by the Industry Sector with 9.1 percent and Agriculture with 3.4 percent. Non-oil GDP growth stood at 5.8 percent.
28. Mr. Speaker, we are happy to note that the Agriculture Sector, which experienced a declining growth in 2010 and 2011, is beginning to show signs of recovery. The Sector has posted consistent increasing growth since the marginal growth of 0.8 percent in 2011. It grew by 1.3 percent in 2012 and 3.4 percent in 2013, even as the pace of Industry and Services sectors have also been expanding.
29. Mr. Speaker, the Industry Sector recorded a growth of 9.1 percent in 2013, up from 7.0 percent in 2012. The 2013 performance of the Industry Sector was mainly on account of a 37.5 percent growth in petroleum activities and 17.6 percent growth in the Mining and Quarrying sub-sector, up from 5.0 percent in 2012. The Manufacturing sub-sector, however, posted a growth of 2.5 percent, down from 5.0 percent growth in 2012. This was due, primarily, to the power crisis which was experienced in the first half of the year.

30. Mr. Speaker, the Services Sector grew by 9.2 percent in 2013, down from 10.2 percent in 2012. The main drivers of growth in the sector were in the Hotels and Restaurants (13.7 percent), Information and Communication (24.7 percent), Financial Intermediation (12.1 percent), Health and Social Work (11.2 percent) and the Transport and Storage (9.5 percent) sub-sectors. The Services Sector increased its share of GDP from 50.0 percent in 2012 to 50.6 percent in 2013.
31. Mr. Speaker, Government will pursue programmes and policies to achieve an average real GDP growth of not less than 8.0 percent in the medium term, with annual real GDP growing at 8.0 percent in 2014, 8.3 percent in 2015 and 10.0 percent in 2016. The 2014-2016 GDP projection depicts a scaling up of agricultural output, a more evenly spread in industrial growth and, a still strong performance in the Services Sector.

Fiscal Sector

32. Mr. Speaker, fiscal policy outlined in the 2013 Budget aimed to achieve fiscal prudence, resulting in sustainable debt limits and a reduction in the budget deficit from 11.8 percent of GDP in 2012 to 9.0 percent of GDP in 2013.
33. Mr. Speaker, the fiscal and other related targets were to be achieved through measures that include:
- improved revenue mobilization through the Ghana Revenue Authority’s (GRA) on-going Modernization Programme — an area that remains challenging;
 - realigning key budget items and enhancing the efficiency of public expenditures through reforms — the Budget will continue to focus on addressing short-term challenges; and
 - reviewing capital expenditures and the strategy for financing them — which is the focus for policy initiatives this year.
34. 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. The resulting fiscal deficit

on cash basis, was equivalent to 8.4 percent of GDP against a target of 7.2 percent.

Revenue

35. Mr. Speaker, total revenue and grants for the period was GH¢13,868.2 million, equivalent to 15.9 percent of GDP. This compares with a target of GH¢16,341.9 million, equivalent to 18.4 percent of GDP. In nominal terms, the provisional outturn was 17.6 percent higher than the outturn for the same period in 2012. The shortfall was partly as a result of low disbursement of grants from our development partners and, mainly due to lower than anticipated domestic revenue collections. For 2013 as a whole, total revenue and grants are projected at GH¢20,801.0 million, 7.7 percent lower than the budget target for the year.

Expenditure

36. Mr. Speaker, total expenditure, including clearance of arrears and outstanding commitments for the first three quarters of the year amounted to GH¢21,202.8 million (24.3 percent of GDP), against a target of GH¢22,710.3 million (25.6 percent of GDP). The outturn was 6.6 percent lower than the budget target and 25.5 percent higher than the outturn for the corresponding period in 2012. The growth in expenditure was mainly due to the increase in interest cost and the growth in the wage bill during the period. Total expenditure for the year, including provision for the clearance of arrears and commitments, is projected to be 2.7 percent lower than the 2013 budget estimate. For the year as a whole, total expenditure is projected at GH¢29,706.4 million (34.1 percent of GDP).

Overall Budget Balance and Financing

37. Mr. Speaker, based on revenue and expenditure outturns for the first three quarters of the year, the overall budget balance on cash basis registered a deficit of GH¢7,334.5 million, equivalent to 8.4 percent of GDP. This was against a deficit target of GH¢6,368.3 million, equivalent to 7.2 percent of GDP.
38. The fiscal deficit is projected at GH¢8,905.4 million, equivalent to 10.2 percent of GDP. The projected rise in the fiscal deficit is mainly as a result of the projected shortfall in revenue, coupled

with projected higher spending on wages and salaries and high interest costs.

39. Mr. Speaker, net domestic financing of the budget deficit amounted to GH¢5,014.8 million, against a target of GH¢4,745.2 million. Foreign Financing was GH¢2,915.0 million, against a target of GH¢1,835.6 million. The higher foreign financing was from the use of part of the 2023 Eurobond to finance some capital expenditures and to refinance high-interest maturing domestic debt.
40. For the year as a whole, net domestic financing and foreign financing of the budget are projected at GH¢6,154.2 million and GH¢3,373.9 million, respectively. This compares with the 2013 budget estimate of GH¢5,700.8 million and GH¢2,536.0 million for net domestic financing and foreign financing, respectively.

Petroleum Receipts

41. Mr. Speaker, in the first nine months of 2013, crude oil production from the Jubilee field averaged 102,503 barrels of oil per day (bopd), compared with a projected output of 83,341 bopd and 71,997 bopd in 2012. This works out to a total of 27,060,737 barrels for January-September 2013, compared with a full year estimate of 30,419,465 barrels and 26,351,278 barrels for the full year of 2012. By end-September 2013, GNPC had made five liftings on behalf of the State. This totaled 4,977,922 barrels which resulted in a total revenue of US\$533.86 million.
42. Mr. Speaker, the Jubilee Field is currently in its second phase of development – the Phase 1A. Work done so far in this phase has helped to further increase production to an average level of around 107,000 bopd in October 2013. If production continues at the October 2013 level, the 2013 Jubilee average daily production is anticipated to exceed the 102,503 barrels mark recorded for January-September 2013.
43. Mr. Speaker, total petroleum receipts, including proceeds from Jubilee Field oil liftings by GNPC on behalf of the State as at the end of the third quarter of 2013, was US\$707.28 million (GH¢1,358.18 million), compared with a total 2013 Budget estimate of US\$581.72 million (GH¢1,122.72 million). The main

reasons for the positive variance of US\$125.56 million (GH¢235.40 million) were the realization of more than expected inflows from corporate income tax and increased production.

Distribution of 2013 Petroleum Receipts

44. Mr. Speaker, the total January-September 2013 petroleum revenues were allocated in compliance with the Petroleum Revenue Management Act (PRMA). An amount of US\$186.09 million was transferred to GNPC as its Equity Financing Cost (US\$53.50 million) and its share of the Net Carried and Participating Interest (US\$132.69 million).
45. Mr. Speaker, the Annual Budget Funding Amount (ABFA), which is 70 percent of the net GOG petroleum receipts, amounted to US\$204.90 million (GH¢392.94 million) with the Ghana Heritage Fund (GHF) and the Ghana Stabilization Fund (GSF), which constitute the Ghana Petroleum Funds (GPFs), receiving US\$316.09 million. Thus, by end-September 2013, the GPFs had received more revenue than the ABFA, which is the direct opposite of what obtained in 2012 and 2011.

Utilization of the 2013 Annual Budget Funding Amount

46. Mr. Speaker, ABFA in the first three quarters of 2013 shows that total funds allocated of US\$204.90 million (GH¢392.94 million).
47. Mr. Speaker, the 2013 ABFA apportionment marks a vast improvement over that of 2012, which fell short by US\$96.96 million. The shortfall in the 2012 ABFA was primarily due to shortfalls in production targets as well as the non-realization of corporate income tax. However, in 2013, the revenue targets were met and the Jubilee partners started paying corporate income tax
48. Out of the total ABFA of GH¢392.94 million for the first three quarters of 2013, GH¢299.41 million, representing 76.2 percent, was disbursed to the four priority areas. Out of the total amount disbursed, GH¢142.34 million, representing 47.5 percent, was spent on Road and Other Infrastructure, while GH¢32.58 million, representing 10.9 percent, was spent on Capacity Building.

Expenditure and Amortization of Loans for Oil and Gas Infrastructure received GH¢119.88 million or 40.0 percent, while Agriculture Modernization received GH¢4.60 million or 1.5 percent.

Monetary Sector Developments

49. Mr. Speaker, in an effort to achieve the target inflation, monetary policy was programmed to complement Government efforts at fiscal consolidation and ensuring macroeconomic stability. In the year to September 2013, developments in the monetary aggregates indicated that the annual growth rate of Broad Money Supply (M2+) declined to 17.7 percent year-on-year, compared with a growth of 24.3 percent in December 2012 and 28.8 percent in September 2012.

Inflation

50. Mr. Speaker, inflation has been on an upward trend since the beginning of 2013 resulting in inflation moving above single-digit from January through October 2013. Inflation rose persistently from 10.1 percent in January 2013 to 13.1 in October 2013.
51. Mr. Speaker, the increase in inflation in 2013 is influenced primarily by the pass through effect of the fuel and utility price increases and demand pressures. To some extent, the rebasing of the Consumer Price Index (CPI) by the Ghana Statistical Service in May 2013 also influenced the high rate of inflation. The new CPI series is characterized by the following:
- the base year was changed from 2002 to 2012;
 - the coverage increased from 40 to 42 markets;
 - the number of items in the CPI basket increased from 242 to 267;
 - the weight of Food and Non-alcoholic Beverages reduced from 44.9 percent to 43.6 percent;
 - the weight of Transport was revised upwards from 6.2 percent to 7.2 percent; and
 - the weight of the Housing, Electricity, Water and Gas component was revised upwards from 7.0 percent to 9.5 percent.

Exchange Rate Developments

52. Mr. Speaker, developments in the domestic foreign exchange market over the nine month period were characterized by large formal and informal sector demand for foreign exchange against dwindling demand from traditional commodity sources.
53. Supply of foreign exchange was, however, boosted by purchases from banks, SWAPS and inflows from the 3-year and 5-year bonds, as well as the proceeds from the Euro Bond. Over the review period, the Ghana Cedi depreciated by 4.12 percent, 9.97 percent and 14.1 percent against the US dollar, the pound sterling and the Euro, respectively, compared with depreciations of 17.9 percent, 14.1 percent and 13.1 percent over the same period in 2012.
54. Mr. Speaker, the thrust of monetary policy over the medium term will continue to be the maintenance of stability in the general level of prices as a necessary ingredient for sustainable growth. In this regard, policies will focus on improving stability in the foreign exchange market while accumulating a more comfortable level of reserves.

Interest Rates Developments

55. Mr. Speaker, interest rates picked up in the early part of the year but showed signs of slowing down in the third quarter. The Bank of Ghana’s monetary policy rate was raised by 1 percentage point in April 2013 to 16.0 percent in response to developments in macroeconomic fundamentals and was maintained through September 2013. In response, developments in interest rates over the review period have been mixed. The 91-day Treasury bill rate, the 2-year note and the 5-year bond closed September at 23.1, 23.0 and 23.0 percent, respectively, the same level as in December 2012. The 182-day bill, the 1-year note and the 3-year bond, however, declined by 0.1, 0.4 and 1.8 percent to end September 2013 at 22.9, 22.5 and 19.2 percent, respectively.

External Sector Developments

56. Mr. Speaker, the provisional trade balance for the period January to September 2013 recorded a deficit of US\$2,744.2 million, showing an improvement of US\$226.0 million, compared to a deficit of US\$2,970.2 million recorded for the same period in

2012. The improvement in the trade balance was on account of a marginal decline in imports against a marginal growth in exports.
57. The trade balance is estimated to improve from the end-year initial projected deficit of US\$4,957.5 million to an estimate of US\$4,046.3 million on account of a drop in projected imports.
58. The Balance of Payments (BOP) is projected to record a deficit of US\$884.0 million in 2013, compared to a deficit of US\$1,210.9 million registered during the same period of 2012. The reduction in the deficit is as a result of an improvement in the capital and financial account which compensated for the deterioration in the current account.
59. Mr. Speaker, the country's gross international reserves as at end September 2013 decreased by US\$136.9 million to US\$5,212.1 million from a stock position of US\$5,349.0 million at the end of December 2012. The September reserve position was sufficient to provide 2.9 months of import cover. It is expected that 2013 will end with a gross international reserve cover of not less than 3 months of imports.
60. Mr. Speaker, in the medium term, the thrust of external sector policy will continue to focus on the maintenance of reserves to provide a cover for at least, three months of imports of goods and services. This will be achieved through the maintenance of macroeconomic stability to enhance the inflow of foreign direct investments and portfolio inflows as well as increase the inflow of foreign exchange from both traditional and non-traditional export sources.

Public debt

61. Mr. Speaker, the stock of public debt (including government guaranteed debt) increased by 22.7 percent from US\$19,150.78 million at the end of 2012 to a provisional estimate of US\$23,498.76 million at the end of September 2013. As a percentage of GDP, the public debt increased from 49.3 percent at the end of 2012 to 52.0 percent at the end of September 2013.

62. External debt totaled US\$10,794.54 million at the end of September 2013, from the end 2012 stock of US\$9,153.58 million. and constitutes 45.9 percent of public debt (24.6 percent of GDP).
63. Domestic debt amounted to US\$12,704.22 million (GH¢24,900.3 million) as at end-September 2013, representing 54.1 percent of public debt (28.9 percent of GDP).
64. Mr. Speaker, Government in 2013 took steps to restructure domestic debt with measures that include substituting portions of domestic debt with external debt (part of the 2023 Eurobond), and the issue of a 7-year domestic bond in August. These measures which did not only increase the maturity profile of domestic debt but also improved refinancing risk. The measures taken have started yielding some positive results as the average rates on government debt instruments have seen a reduction from 23 percent at the beginning of the year to 19.5 percent as at end-October, 2013. The full effect of the measures is envisaged in 2014.

MACROECONOMIC POLICIES AND TARGETS FOR 2014

65. Mr. Speaker, the medium term objective and strategic direction under the new Medium Term Development Policy Framework (MTDPF) is to expand opportunities for all, and reinforce the foundation for socio-economic transformation of the country, in partnership with the private sector. The strategy for accelerated economic growth is putting people first, building a strong and resilient economy, expanding infrastructure and ensuring transparent and accountable governance. This will be achieved through increased investments in infrastructure, agriculture modernization, manufacturing based on agro-industrialization, Science, Technology and Innovation (STI) and targeted exploitation of Ghana’s natural resources, particularly, minerals, oil and gas.
66. Mr. Speaker, the specific macroeconomic targets for 2014 are as follows:

- non-oil real GDP growth of 7.4 percent;
- overall real GDP (including oil) growth of 8.0 percent;
- an end year inflation target of 9.5 percent within the band of ± 2 percent;
- overall budget deficit equivalent to 8.5 percent of GDP; and
- Gross international reserves of not less than 3 months of import cover of goods and services.

Fiscal Sector

67. Mr. Speaker, our fiscal policy objective of ensuring fiscal sustainability by reducing the fiscal deficit to 6 percent over the medium term still remains. Specifically, fiscal policy will focus on:
- improving revenue mobilization;
 - realigning the key budget items and enhancing the efficiency of public expenditures;
 - reviewing capital expenditures and the strategy for financing them;
 - focusing on the completion of pipeline projects to reduce medium term fiscal risks; and
 - refinancing and extension of tenure of debt
68. Mr. Speaker, over the medium-term, fiscal policy will continue to aim at ensuring fiscal prudence and debt sustainability through improved revenue mobilization and rationalizing and enhancing the efficiency of public expenditures, as well as reviewing our financing methods.

Resource Mobilisation for 2014

69. Mr. Speaker, total non-oil revenue and grants for the 2014 fiscal year is estimated at GH¢24,276.6 million, equivalent to 25.0 percent of non-oil GDP. The expected non-oil revenue and grants for the year represents a 26.3 percent increase over the projected outturn for 2013.
70. For the 2014 fiscal year, total revenue from oil that will accrue to the budget is estimated at GH¢1,709.4 million, equivalent to 1.6 percent of GDP.
71. Thus, total revenue and grants including oil for the 2014 budget are estimated at GH¢25,986.0 million, equivalent to 24.6 percent of GDP.

Resource Allocation for 2014

72. Mr. Speaker, total expenditure, including provision made for the clearance of arrears and outstanding commitments in 2014 is estimated at GH¢34,956.8 million, equivalent to 33.1 percent of GDP. The estimated expenditure for the year represents 17.7 percent increase over the projected outturn for 2013. Of this amount, GH¢2,816.2 million, equivalent to 2.7 percent of GDP and 8.1 percent of total expenditure will be used for the clearance of arrears and outstanding commitments.
73. 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¢10,597.3 million, representing 10.0 percent of GDP, 70.4 percent of non-earmarked tax revenue, 54.1 percent of non-oil tax revenue, and 52.1 percent of tax revenue. Of this amount, GH¢8,967.8 million (8.5 percent of GDP) is estimated for the payment of wages, salaries and allowances, while GH¢678.9 million, GH¢224.2 million and GH¢726.4 million is estimated for pensions, gratuities and social security, respectively.
74. Expenditure on goods and services is estimated at GH¢1,529.5 million, representing 1.4 percent of GDP and is the barest in

comparison with 10 percent of GDP for compensation to employees.

75. Total interest payment is estimated at GH¢6,178.6 million, equivalent to 5.9 percent of GDP and 19.5 percent of total expenditure. Of this amount, GH¢975.8 million will be expended on external interest, while GH¢5,202.8 million will be for domestic interest payments.
76. Mr. Speaker, Grants to other Government units, comprising statutory payments into the National Health Insurance Fund, Ghana Education Trust Fund, the District Assemblies Common Fund, Road Fund, Petroleum-Related Funds, transfer to the Ghana National Petroleum Company and retention of internally-generated funds by MDAs is estimated at GH¢6,498.0 million (6.2 percent of GDP).
77. Mr. Speaker, as part of government efforts to narrow the infrastructure deficit in the country, a total amount of GH¢5,967.3 million is allocated for capital expenditure. This represents a 31.3 percent increase over the projected outturn for 2013 and 17.7 percent of the estimated total spending for 2014. About 24 percent of the total amount will be financed from domestic sources and the remaining from foreign sources.

Overall Budget Balance and Financing for 2014

78. Mr. Speaker, based on the revenue and expenditure estimates, the 2014 budget will result in an overall budget deficit of GH¢8,970.8 million, equivalent to 8.5 percent of GDP.
79. Financing of the deficit will be from both domestic and foreign sources. Net Domestic Financing is estimated at GH¢4,117.9 million, equivalent to 3.9 percent of GDP, and financing from foreign sources are estimated at GH¢4,921.9 million, equivalent to 4.7 percent of GDP.

2014 Petroleum receipts and distribution

80. Mr. Speaker, the Benchmark Revenue is estimated at US\$584.39 million (GH¢1,285.66 million). It is proposed that 70 percent or US\$409.07 million (GH¢899.96 million) of the Benchmark

Revenue be allocated to the ABFA and 30 percent or US\$175.32 million (GH¢385.70 million) be allocated to the GPFs. Out of the amount allocated to the GPFs, it is further proposed that 70 percent or US\$122.72 million (GH¢269.99 million) be allocated to the Ghana Stabilization Fund (GSF) while 30 percent or US\$52.60 million (GH¢115.71 million) is allocated to the Ghana Heritage Fund (GHF).

81. Mr. Speaker, Section 21(5) of the PRMA states that the ABFA shall be spent in not more than four priority areas in order to maximize the impact of the use of petroleum revenue. Section 21(6) also states that the four priority areas where the ABFA is spent shall be reviewed every three years, with 2014 as the first year of review. We are proposing to this august House to consider and approve the following existing four areas for the period 2014-2016:
- Expenditure and amortization of loans for oil and gas infrastructure;
 - Road and other infrastructure;
 - Agriculture modernisation; and
 - Capacity building (including oil and gas).
82. Mr. Speaker, in the medium term, Government has decided to spend the ABFA on the development of six major specific projects and to clear the pipeline of infrastructure projects.

POLICY INITIATIVES FOR 2014

83. Mr. Speaker, the broad policy initiatives in this Budget have been designed to enable us consolidate our middle income status and deal with the new challenges of financing our development. The policy initiatives are presented in five areas, namely, Infrastructural Development, Private Sector/SME Development, Fiscal, Social Intervention Policies, and Transparency, especially

the fight against corruption, reflecting key priorities of Government.

INFRASTRUCTURE DEVELOPMENT

Ghana Infrastructure Fund (GIF)

84. Mr. Speaker, under the able leadership of His Excellency President John Dramani Mahama, Government proposes to set up the Ghana Infrastructure Fund (GIF) to deal with the huge infrastructure deficit and to focus on strategic infrastructure that will lead to job creation and the growth of the economy.

- **Nature of the Fund:** GIF will be a quasi-fiscal body that will be chaired by the Minister of Finance and, in due course, pursue its own “ratings” on the domestic and international financial and capital markets. Indeed, independent rating is a strategic move that Government will encourage to enable these enterprises to borrow on their own Balance Sheets or records.
- **Private Sector Role:** The GIF will focus on strategic infrastructure in partnership with the private sector. Currently, Ghana’s financial and capital markets are constrained with limited availability of long term finance, both local and international, to support both the public and private sector infrastructure projects. The GIF will partner the private sector through linkages that include financing project SPVs, PPPs, mortgage finance and finance leases. Additionally, the GIF will create investment opportunities for institutional investors including pension funds.
- **Sources of GIF funds:** The potential sources of funds for GIF includes appropriations by Parliament, including the recent 2.5 percent increase in VAT, as well as ABFA portion for amortization and infrastructure development. Other sources include: escrowed and on-lent funds from prior investments; private or public domestic and foreign funds from multilateral institutions and development banks; the capital markets (including our stock exchange); pensions and mutual funds (including social security and insurance funds); and other funds.

- **GIF Debt Service Account (DSA):** The GIF with assistance of the Bank of Ghana will set up and manage a Debt Service Account (DSA) for designated domestic and foreign Sovereign Debt. The purpose of the latter is to utilize the flows of foreign exchange such as ABFA to spur confidence in the markets and minimize foreign exchange exposures. All existing escrow and debt service accounts (eg. EXIM, CDB, BNDES) will be subordinated to the GIF-DSA provided the terms of existing agreements permit.
- **Project financing:** The Board of the GIF will advise the Minister on viable projects to be financed by GIF, including those involving special purpose vehicles (SPV) such as joint venture (JV) and public-private partnership (PPP) projects. It is envisaged that GIF will issue special bonds to finance specific commercial projects. The GIF will be empowered to set up on-lending, escrow and other mechanisms for the purposes of pursuing and ensuring the success of its investments.
- **Guarantees and risk management:** The establishment of GIF will lead to a review of Government’s exposure to risks from borrowing and issuing sovereign guarantees. It is our intention to minimize the use of sovereign guarantees that are currently treated, automatically, as public debt in our Debt Sustainability Analysis (DSA) band and not as contingent liabilities. We are currently in discussions with the World Bank and African Development Bank (AfDB) on the appropriate classification of SOE and other guarantees. Where guarantees are essential, we will maximize the use of third party guarantees such as MIGA guarantees and World Bank/AfDB partial and credit risk guarantees.

85. Mr. Speaker, the GIF is a response to the need to manage Ghana’s limited but potentially expanding fiscal space; sub-optimal classification and management of public debt; and difficulties in mobilizing funds, in particular, for infrastructure projects of a commercial nature. The linkages to the private sector are crucial since, to leverage private sector investment in

- infrastructure projects, it is necessary to vigorously pursue long-term quasi-fiscal institutions as well as banking and/or capital market solutions.
86. Mr. Speaker, the intention of Government is to consolidate the use of such commercial financing facilities to finance projects that can repay commercial loans that the government contracts directly or guarantees. It is also a means of freeing grants and concessional facilities for social infrastructure projects that often return benefits indirectly (e.g., through improvements in social indices) and directly over relatively longer periods.
87. The successful implementation of the GIF will therefore, provide several opportunities to apply national resources in various novel ways including long-term infrastructure bonds to accelerate the upgrading and renewal of critical national infrastructure. We are mindful of the fact that the Ministry of Finance needs to work with our infrastructure ministries, in particular, to improve executive, financial and operational management.
88. Mr. Speaker, given the importance attached to the GIF, H.E. the President will establish and inaugurate the special committee to implement it immediately after the House approves the government’s financial policies. It is proposed that the GIF becomes operational during the first quarter of 2014. H.E. the President will also constitute an International Advisory Panel to advise him periodically on global investment options.

FISCAL POLICY

Debt Management

89. Mr. Speaker, with the diminishing sources of grants and concessional financing because of our new LMIC status, Government has developed a debt management strategy that provides more cost-efficient access to the international and domestic capital markets to meet its development needs. Hence, we wish to propose a number of strategies to consolidate sustainability and efficiency in debt management.
- **Liquidity management:** Applying the “Golden Rule” of fiscal management as it is called in the U.K., short-term

borrowings will be primarily used for liquidity management purposes over the fiscal year and will not be used to accumulate permanent debt.

- **Revenues from Self-Financing Projects:** Our debt management policy will ensure that commercial projects are designed with emphasis on the revenue generation, with appropriate escrow and on-lending mechanisms to recover the loans used to implement the investments.
- **On-lending and escrow arrangements:** Over the past years, State-owned Enterprises (SOEs), Special Purpose Vehicles (SPVs), and some MDA/MMDAs have benefitted from loans and government guarantees to support commercial projects without incorporating the cost of debt service into the projects or financial statements for the entities. As a firm policy, Government has started an on-lending and escrow account initiative to prevent these loans from aggravating the public debt situation.
- **Financing capital expenditures (CAPEX):** The capital expenditure component of the annual budget will be funded primarily from the long-term debt market. In this regard, Government extended the yield curve to seven years in 2013 and will continue to work towards extending the yield curve to 10-12 years from 2014, with assistance from the Multilateral and other agencies. In connection with this, Government tapped into the Eurobond market in 2013 to obtain long-term funds for debt restructuring and capital expenditures.
- **Loans-to-Priority Projects Programme:** Government has taken stock of all pipeline and existing loans and has started a “loans-to-priority projects” Programme – based on which it now identifies projects that are funded from specific sources of funds such as the recent sovereign bond issue and the ABFA. The policy will be enhanced by the use of the elaborate coding system under GIFMIS
- **Tapping External Capital (Bond) Markets:** Mr. Speaker, borrowing from the external capital market is part of a

borrowing programme for (a) general capital budget support (as noted above); (b) financing specific projects; (c) re-financing existing debt; and (d) counterpart funding for the capital and recurrent budget. The benefits of this initiative include:

- i. less reliance on the short-end of the markets (e.g., Treasury Bills) to finance the budget and, thereby, extending the tenor of loans;
- ii. diversifying the sources of long-term financing (which currently includes loans from the multilateral institutions/banks as well as development, commercial, and EXIM banks); and, thereby helping to improve the fiscal situation and minimizing any adverse impact on the availability of credit (i.e., crowding out) and rising domestic interest costs.

90. Mr. Speaker, Government is mindful of the foreign exchange exposure in tapping the foreign capital markets to finance our capital expenditures. However, as noted below, we intend to limit this exposure through the use of foreign-exchange based debt service account from sources such as the ABFA and escrow accounts.

Eurobond Issue

91. Mr. Speaker, it is noteworthy that even in the face of a challenging global market environment, Ghana was able to issue another Euro bond and listed it at the Ghana Stock Exchange, thus, becoming the first sub-Saharan African country to do a domestic listing of a Eurobond. Through this path breaking listing, institutional investors including local pension funds were able to participate in this transaction, thus enhancing their portfolio diversification opportunities.

92. Therefore, Mr. Speaker, to enable the Government tap into “good windows of opportunity” on the international capital markets, it is proposed that the annual bond program should be submitted to Parliament for prior-approval with the annual Budgets—starting with this Budget. Immediately after this speech, the Government

will table the normal documents for the House to approve Ghana’s third entry into the Eurobond market.

93. In this regard, the Ministry of Finance, Bank of Ghana and Attorney-General’s Department will institutionalize the Capital Markets Committee to advise government on international capital market operations, generally, and the management of new issues. The Ministry of Finance will use this Committee to immediately support the setting up of a Ghana Infrastructure Fund (GIF) until the Fund becomes fully operational.
94. Mr. Speaker, it is being proposed that Ghana’s liability management should be regular and ongoing, as an important feature of our public debt management strategy. The purpose of making external bond market issues regular is to (a) achieve a more orderly financing of the capital budget or specific projects; and (b) establish sinking fund or amortizing debt structure to retire or refinance the bonds.

Sustaining the New Pay Policy

95. Mr. Speaker, following the migration of public service institutions onto the Single Spine Salary Structure, disparities in pay have reduced drastically. This major achievement has, however, come with significant increases in the government wage bill, therefore, threatening the very sustainability of the Single Spine Pay Policy (SSPP). In spite of the challenges posed by the implementation of the SSPP, Government remains committed to the policy.
96. Mr. Speaker, provisional fiscal data show that for the first three quarters of 2013, expenditure on compensation of employees including arrears on Compensation constituted 74.4 percent of tax revenue and 96.5% of non-earmarked tax revenue. The trajectory of the compensation bill and its sustainability is of concern to Government, Employers, Organized Labour and other stakeholders. Government is, therefore, working in collaboration with the social partners to address the issues of the sustainability of the new pay policy.
97. Mr. Speaker, short-to-medium term measures being pursued to address the sustainability of the pay policy include:

- **Budget Constraint:** It is clear that the nation needs to keep the wage or compensation bill with overall budget constraints to allow for the use of taxpayers’ funds for development as well. Thus as employer, Government will bring the judicious allocation of taxpayer funds (to elements in the Budget) to bear on the negotiation process.
- **Institutional Arrangements:** The Ministry of Finance has established a Compensation of Employees Unit under the Budget Division to deal with all compensation issues including those relating to wages and salaries, allowances, pensions, social security, and gratuities. In addition, the Ministry has constituted a Compensation Committee with membership drawn from the Ministry of Finance, Controller and Accountant-General’s Department, the Fair Wages and Salaries Commission, and the Public Services Commission to advise on compensation issues.
- **Weaning off Subvented Agencies from Government Payroll:** Mr. Speaker, about 12 subvented agencies which have the capacity to be on their own with regards to payment of their personal emoluments have been identified to be weaned-off Government subvention. To this end, measures and modalities will be established to assist the identified institutions to be weaned-off Government. This exercise will continue in the medium term until all such institutions are weaned off.
- **Recruitment and Replacement:** From 2014, the wages and salaries vote of MDAs and MMDAs will be the budget constraint for MDAs in respect of recruitment and replacement of staff in public sector institutions. In this regard, the Ministry of Finance will collaborate with the Public Services Commission and Office of the Head of Civil Service to ensure that due process, including seeking establishment and financial clearance before undertaking recruitment and replacement, are observed. Sanctions will be imposed on heads of institutions that do not follow the due process.

- **Market Premium:** As recommended at the Ho Forum, Government will implement the White Paper on Market Premium without further delay. To this effect, Government has directed the Fair Wages and Salaries Commission and the Ghana Statistical Service to undertake a Labour Market Survey to inform the determination of critical skills in short supply and their market premium, starting with the Health and Education sectors. From January 2014, the existing interim market premium paid to some workers will be abolished and replaced by market premium determined in consonance with the White Paper, and to take effect from the same date.
- **Public Service-Wide Performance Management System:** Mr. Speaker, linking pay to productivity is one of the phases in the implementation of the SSPP. To this end, the Fair Wages and Salaries Commission in collaboration with the Public Services Commission and the Management Development and Productivity Institute will expedite action on the modalities for the introduction of the Public Service-Wide Performance Management System.
- **Categories 2 & 3 Allowances:** Government has observed the existence of several allowances in the public service and the need to streamline and bring sanity into the administration of these allowances. As part of the implementation the Single Spine Pay Policy, the Fair Wages and Salaries Commission in collaboration with the Public Services Joint Standing Negotiation Committee (PSJSNC) is working on the harmonization and standardization of categories 2 and 3 allowances. The implementation of the categories 2 and 3 allowances is executed within budget constraints and is properly phased. Measures will also be implemented to ensure that existing and new allowances are not abused and are executed based on approved budget of MDAs.
- **Review of Gratuity:** Government will undertake a review of gratuity across the Public Services. This will be done under the relevant laws to ensure fairness.

- **Use of Internally Generated Funds:** It has come to the notice of Government that institutions use their Internally Generated Funds (IGFs) to honour unapproved payments such as payments of salary supplements contrary to what the law on the use of IGF stipulates. These actions are illegal and any institution found indulging in this act will be sanctioned accordingly. Mr. Speaker, to ensure efficient, effective, and lawful use of IGF, the IGF of MDAs will be administered using the warrant system through the GIFMIS as required by Section 1651 of the FAR.
- **Book and Research Facility:** Government recognizes the importance of research in teaching and learning in all higher institutions of education. In order to encourage more research work in tertiary institutions and to realize its full benefits, Government has decided to replace the existing system of payment of the book and research allowance, with a Research Facility. Mr. Speaker, the Ministry of Education through the National Council for Tertiary Education has set aside GH¢15 million towards the establishment of a Research and Innovation Facility. The Ministry is to develop guidelines for the operationalization of the Facility, whilst engaging stakeholders on exploring other sources of making the Facility sustainable.
- **Human Resource Management Policy:** Mr. Speaker, the Public Services Commission has developed a comprehensive Human Resource Management Policy Framework and Manual as part of the new Human Resource Management System being developed. This is aimed at reviewing and remolding past and outmoded procedures and processes to conform to international standards in human resource management. This will also strengthen the overall capacity of the public service for effective service delivery. The draft Manual is before cabinet for approval. In line with government’s policy determination to control the rising wage bill, the Public Services Commission has been mandated to build a human resource database of Government employees to enable Government effectively control the entry and exit of workers in public sector institutions. This will, in part, allow Government to constantly review the staff ceilings and

mandates of public institutions to identify overlap of functions and recommend appropriate right-sizing of MDAs and MMDAs, where necessary.

- **Payroll Upgrade:** The Controller and Accountant-General’s Department is upgrading the payroll system to enhance efficiency by allowing more time for payroll update, improve performance by minimizing human intervention during payroll run, and reduce payroll processing time. The payroll upgrade is expected to be completed in December 2013. After completing the payroll upgrade, the IPPD will be integrated into GIFMIS to facilitate automatic accounting for payroll data as well as strengthen budgetary control on payment of salaries and wages. The system will enable CAGD develop effective administration of the payroll system to MDA unit levels.
- **Payroll Audit:** Mr. Speaker as part of the process of removing wastage in the payroll, government has commissioned the Internal Audit Agency to audit the 2011 and 2012 payroll of selected institutions with the support of the CAGD. This exercise will focus on Ghana Education Service and Ghana Health Service as the first phase. In addition, the management of Korle-Bu Teaching Hospital in collaboration with CAGD, undertook a review of the payroll and also conducted a head count of staff on the payroll of KBTH in October, 2013. The exercise revealed instances of the payment of salaries to ineligible staff numbering about 1,053 who are paid through the mechanized payroll of the CAGD and 60 who are paid with IGFs of KBTH. The Ministers for Health and Education have since directed the management of KBTH and CAGD to take the necessary steps to take off the names of the people from the payroll and to recover all illegal payments. The review and the head count exercise will be extended nationwide.
- **Biometric Registration:** The CAGD in collaboration with the National Identification Authority, the Public Service Commission and Office of the Head of Civil Service and is to start the clean-up of the biometric data of Public Servants on Government Payroll and also validate the existence of active

and retired officers as well as new entrants by November 2013.

- **Electronic Salary Payment Vouchers (ESPV).** To facilitate the review and certification of salary payment vouchers as part measures of controlling the wage bill, the CAGD is implementing an Electronic Salary Payment Voucher System (ESPV) and plans are far advanced for its roll out. Heads of MDAs and MMDAs will henceforth, be required to certify on a monthly basis, staff on their nominal payroll before the Ministry of Finance issues a warrant for payment of their salaries. This will make Heads of Institutions responsible for managing their own wages and salaries budgets and reduce the phenomenon of "ghost names" on the payroll. The Korle-Bu Teaching Hospital will be used as a pilot for E-SPV. With support from the Ghana Education Service (GES), heads of Management Units who do not have internet connectivity will use the computer laboratory of Senior High Schools across the country to enable them access the monthly payroll data for validation.
- **Electronic Pay Slips:** To facilitate timely information on salaries paid to public sector employees, an Electronic Pay Slips System has been developed and deployed to MDAs to enable employees access their pay slips on mobile phones or computers with internet connectivity before they go to the bank.

Managing Foreign Exchange Losses

98. Mr. Speaker, fiscal management has suffered from foreign exchange losses for a long time, due to factors that include:
- the short time allowed in contracts and transactions to settle debt denominated in foreign currency
 - the lack of foreign exchange mechanisms to manage foreign currency debt service
 - abuse of foreign currency provisions in the payments processes.
99. Mr. Speaker, the Ministry of Finance will work with the Attorney-General's Department and the Bank of Ghana to improve the

contract and transaction process. Secondly, Government will set up a Foreign Currency Debt Service Account to minimize exposures to foreign exchange risk.

Petroleum Revenue Management Act

a) Appropriation

100. Mr. Speaker, this august House granted approval for the petroleum revenue distribution formula which was provided in the Supplementary Budget presented in 2011. The PRMA requires a revision of a number of provisions with respect to petroleum revenue distribution after every three years and, are thus, due for revision in 2014.

- **Transfer to GNPC:** A downward revision of the 40 percent share of Carried and Participating Interest, net of Equity Financing Cost, to 30 percent—in view of the increase in volumes of crude oil exports.
- **ABFA and Petroleum Funds:** The following are being proposed with respect to these funds:
 - i. retention of the 70 percent allocation of the Benchmark Revenue for ABFA and 30 percent for the GPFs; and
 - ii. formally linking the Stabilization (excess)/ABFA and the proposed Ghana Infrastructure Fund (GIF).
- **Four Priority Areas of Expenditure:** Maintaining the existing four (4) priority areas, already approved by Parliament, for the 2011-13 fiscal years. These are Expenditure and Amortization of Loans for Oil and Gas Infrastructure, Road and other infrastructure, Agriculture Modernization and Capacity-Building (including oil and gas).
- **Cap on the GSF:** In line with Section 23(3) and (4) of the PRMA, it is proposed that the GSF be capped, at US\$250 million and the excess amount utilized for debt repayment and setting up the Contingency Fund (envisaged under the Constitution). This amount will be reviewed from time to time—and recommendations made to Cabinet and

Parliament—as would be necessitated by macroeconomic conditions, as provided for in the PRMA.

- Mr. Speaker, the proposed cap on the GSF is informed mainly by the following:
 - The spirit of the PRMA was to transfer 70 percent, 21 percent and 9 percent of the net petroleum receipts to the ABFA, GSF and GHF, respectively. However, as already indicated, the transfers to the GSF alone exceed that of the ABFA in 2013.
 - Return on the GSF: The investment income on the GSF has been low, compared with our borrowing costs for infrastructure projects. In order to ensure value for money, the excess transfers to the GSF will be used for loan repayment in order to free capital for infrastructure development
- Mr. Speaker, the decision to cap the GSF is not to deny it of funds. Indeed, we could have made withdrawals from the GSF in 2012 due to shortfalls in allocations to ABFA, as provided in the PRMA. However, Government opted against making any withdrawals from the GSF in 2012.
- **Setting up of the Contingency Fund:** Government will establish the Contingency Fund as provided for in the Constitution, to receive some of the excess transfers into the GSF once the cap is attained, in line with Section 23(4) of the PRMA. An amount of GH¢50 million from the excess of the cap on the GSF is proposed to initiate the setting up of the Contingency Fund to meet urgent or unforeseen need for expenditure for which no other provision has been made.

b) Review of the PRMA

101. The current legislative arrangements on distribution of petroleum receipts under the Petroleum Revenue Management Act, 2011 (PRMA/Act 815) do not auger well for national priority programmes. Mr. Speaker, the calculation of the Benchmark Revenue and allocations made to the Stabilization and Heritage as well as Annual Budget Funding Amount (ABFA) requires the

Executive and Parliament to take a second look at the PRMA for effective alignment.

102. Mr. Speaker, after two-and-a-half years of implementation of the PRMA, stakeholders have identified some inconsistencies, as well as operational and administrative challenges of the Act. The Ministry of Finance has, therefore, commenced the process of reviewing some Sections in the Act to ensure its smooth implementation. All stakeholders are invited to submit proposals to inform the review which Cabinet will submit to this august House for consideration and passage during the first quarter of 2014.
103. Mr. Speaker, the issues that require review through legislation will be presented to this august House in early 2014. These issues include:
- **Petroleum Benchmark Revenue:** The Petroleum Benchmark Revenue formula has consistently led to an underestimation of petroleum prices and volumes, leading to excessive transfers into the Ghana Petroleum Funds and underfunding of the ABFA. The proposal is to review the formula for estimating the benchmark revenue to provide more robust estimates
 - **Qualifying Instruments:** Section 27(2) of the PRMA allows for a review of the range of instruments designated as qualifying instruments for the investment of the accumulated funds in the GPFs after every three years or sooner. In line with this provision, MOF will be exploring the possibility of reviewing the range of instruments for investment of the GPFs based on the advice of the Investment Advisory Committee (IAC). The proposal is to review Section 61 of the PRMA to include higher yielding instruments based on an approved list of guidelines in the investment policy.
 - **PIAC Membership:** Section 54(1) of the PRMA states that the membership of PIAC shall be eleven. However, the same section enumerates thirteen slots to be filled. This contradiction will be corrected during the review of the PRMA.

Resource Mobilization Initiatives

104. Mr. Speaker, for 2014, the emphasis will be on improving revenue mobilization through tax effectiveness and efficiency. To that effect the Ghana Revenue Authority (GRA) will continue its tax modernisation programme to ensure the recovery of uncollected taxes. The measures include plugging leakages and loopholes in tax administration, widen the tax net, undertake direct tax audit, intensify customs post clearance reconciliation, intensify VAT reconciliation and improve payroll tax auditing.
105. Mr. Speaker, permit me to present some of the revenue measures and proposals for 2014.

Personal Income Tax (PIT)

106. Mr. Speaker, the thresholds for personal income taxes have been raised for the past 5 years, which is consistent with our social democratic principles. The rationale is to protect low income earners as well as compensate for inflation. It is proposed to maintain the income tax threshold and the brackets for 2013 in order to reduce the impact of the overall wage bill on Government expenditure. However, depending on the outcome of the negotiations on the National Daily Minimum Wage, the PIT rate may be reviewed.

Withholding Tax on Rent

107. Mr. Speaker, in order to encourage the provision of residential accommodation, a withholding tax of 15 percent is proposed for commercial buildings whilst that of the residential accommodation remains at 8 percent. The ongoing street naming exercise will help in identification of properties and assist in enhancing the collection of rental income taxes.

Tax Stamps

108. Mr. Speaker, next year, Government will introduce tax stamps on selected excisable products as part of measures of enforcing compliance. The Ministry of Finance in consultation with the Ministry of Trade and Industry and other stakeholders will determine modalities for its implementation.

Transfer Pricing

109. Mr. Speaker, following the passage of the transfer pricing regulation in 2012, the GRA is mainstreaming the new tax regulations into its operations. To this effect all key staff and other stakeholders that will help in implementing the transfer pricing regulations have been trained. It is envisaged that effective auditing which will commence in 2014 will reduce the abuses and under-declaration of profits and, thereby, resulting in higher profits for taxation purposes.

Windfall Profit Tax

110. Mr. Speaker, in 2012 the windfall profit tax Bill was tabled in Parliament. The Bill sought to impose a windfall profit tax of 10 percent on mining companies. Unfortunately, the Bill could not be considered by Parliament. A committee is reviewing all stability agreements, incentives and the windfall profit tax that could not be passed in 2012. I will urge all civil society interest groups to continue with the submission of their recommendations on how to adequately tax the mining industry. In due course, Government will re-introduce the Bill in parliament after completion of the consultations with all stakeholders.

Tax Expenditures

111. Mr. Speaker, it is estimated that tax expenditures constitute a significant proportion of total tax revenue (13.1 percent) and GDP(2.1 percent). Revenue loss from exemptions granted in duties and taxes continue to undermine overall tax revenue performance. The Government in the 2013 budget announced its intention to review the exemptions regime as a whole to reduce the scope and eliminate abuses in the administration and application of exemptions. Consequently, all existing exemptions resulting from the clearance of goods on permit will be reduced to the minimum. Work on the remaining types of exemptions will continue in order to achieve a comprehensive review in the medium term.

Management and Technical Fees

112. Mr. Speaker, the current employee income tax rate for non-residents is 20 percent and that of management technical service fees (e.g. consultancies) 15 percent. The difference in the rates has created an opportunity for tax avoidance by reclassifying

non-resident employee services as management and technical services. In order to curb it, it is proposed that the tax on management technical services fees be increased from 15 to 20 percent.

Free Income Tax Assessment Bureau (FITAB)

113. Mr. Speaker, it is important that traders who are potential tax payers are encouraged to keep some level of records on their transactions. Many of the potential taxpayers claim they cannot engage accountants to prepare their financial statements and so are unable to file their tax returns. In order to encourage the keeping of records a Free Income Tax Assessment Bureau (FITAB) will be set up. These are offices that will be located in the Small Tax Payers Office (STOs) or at standalones in locations where the concentration of informal sector operators is high.

Construction Industry Scheme (CIS)

114. Mr. Speaker, as part of the measures to improve domestic revenue in general and self-employed income tax in particular, Government will introduce a Construction Industry Scheme in 2014. The CIS is a scheme that will regulate all payments made by contractors to subcontractors in the building and other related businesses. The Scheme will set out rules for how payments to subcontractors for construction work must be handled by contractors in the building industry for tax purposes.

Valuation Assurance Programme

115. Mr. Speaker, the Customs Division of the GRA in the course of the year will improve the coverage of items under the valuation assurance programme. They will also ensure that destination inspection companies adhere to their terms and conditions of their contracts by quoting the appropriate values and quantities of all imports that they will inspect. Ultimately, the Customs Division will acquire its own complete valuation module. Over the years Customs Division has been updating the harmonized code by including new classifications. This exercise will continue to cover areas like sola lamp and helicopter wing aircraft.

Reward to Informants

116. Mr. Speaker, in many countries the tax authorities rely on information from the general public in enhancing its operations.

Ghana has also been pursuing the means of soliciting reliable information from informants. Ghana has a long standing scheme whereby rewards are paid after successful collection of duties and penalties, reassessment of evaded or avoided taxes and under declaration of VAT. The GRA will revamp this scheme and Ghanaians are being called upon to assist in the fight against duty evasion, tax evasion and corruption as a patriotic duty. This provision is also amplified in the President's anti-corruption initiatives. Informants and institutions whose efforts lead to successful prosecution and retrieval of proceeds of corruption will be eligible for a percentage of such retrievals to enhance their capacity to undertake their functions

Petroleum Excise and Road Fund Levy

117. Mr. Speaker, to be consistent with our current excise tax regime, we propose changing the basis of the petroleum excise duty from specific to ad valorem. We also propose a marginal increase in the road fund levy. This will result in slight increase in the ex-pump price for premium and gas oil.

Taxation of Capital Gains for Petroleum Operations

118. Mr. Speaker, it is proposed that provisions relating to the capital gains tax in the Internal Revenue Act, 2000 (Act 592) should now be applied to petroleum operations.

Reviewing the tax rate for free zones enterprises

119. Mr. Speaker, Free Zone Enterprises enjoy a ten year tax holiday as an incentive for registering under the scheme. After the holiday, they are limited to a tax rate of not more than 8 percent of chargeable income in line with the rate applicable to income from non-traditional exports of companies in the domestic territory. They are, however, permitted to offload 30 percent of their goods or services onto the domestic market. The income from these transactions also attracts the 8 percent tax rate whilst their local counterparts who have a mix of exports and domestic transactions pay tax on those transactions at a higher rate. This gives goods brought into the domestic market by free zone enterprises an unfair advantage over those produced by the non-free zone enterprises.

120. It is proposed that to even the playing field, the income derived from the supply of goods and services provided by free zone enterprises to the domestic market should be taxed at the same rate as their counterparts operating in the domestic market. The income derived from exports will however continue to enjoy the incentive tax rate of up to 8 percent.

New Legislation

121. Mr. Speaker, the reforms and new initiatives outlined in the Budget will make it necessary to review and update key legislation. In the course of 2014, proposals will be put forth on reviews of the following laws:

- Financial Administration Act
- Financial Administration Regulations
- Bank of Ghana Act
- The Banking Act
- Borrowers and Lenders Act
- The Loans Act

122. These reviews will take particular note of the need to tighten any loop-holes that might inadvertently open opportunities for corruption.

PRIVATE SECTOR/SME DEVELOPMENT

Boost for SMEs

123. Mr. Speaker, over the years, SMEs have created jobs and mobilized activity in the informal sector. However, funds created to address their limited access to financing and reducing the cost of borrowing have not been sustainable.
124. In this respect, Government is setting up a new SME fund to boost support for SMEs. The activities of the Fund will be overseen by a Board of Trustees and a professional fund management company. This management structure will improve the processes for credit appraisal and recoveries in order to make the Fund a sustainable revolving fund.
125. Mr. Speaker, the pilot scheme will mobilize and deploy about GH¢50 million from sources such as EDAIF as well as pipeline

and new loans and grants (including financing from development partners). The Fund will have formal links with established domestic institutions such as EXIMGUARANTY and the Venture Capital Trust Fund as well as rural banks and micro-finance companies. It will also collaborate with the National Board for Small Scale Industry (NBSSI) to facilitate the unification of several SME finance and capacity-building initiatives under one umbrella.

Stimulus for the Private Sector

126. As a new initiative to support the Ghanaian private sector, Government will, with support from EDAIF, following the review of the existing legislation, provide financial stimulus to the following sectors: exports, pharmaceuticals, poultry, textiles and garments, SMEs and agro-processing sectors, to enhance their competitiveness for the growth and support of job creation. To promote the competitiveness of the manufacturing sector, Government will use its huge procurement advantage to patronize the locally manufactured goods.

Support to Local Industries

127. Mr. Speaker Government recognizes the role that local industries play in the economic development of this country. These industries have huge potential for creating employment opportunities for the teeming unemployed youth. Government is therefore taking measures to ensure that there adequate local through the amendment of the Public Procurement Act. To this effect, government has submitted an LI to parliament, which will mature soon, to ensure adequate local content in the energy sector.
128. Mr. Speaker, imports of textbooks and exercise books are allowed into the country free of import duty and VAT. However raw materials of local manufacturers of these textbooks and exercise books pay import duty and VAT. As part of measures to promote local industries to make them competitive, it has been decided that such raw materials imported for the local printing of textbooks and exercise books through tenders administered by the Ministry of Education will be admitted free of import duty and VAT. This is consistent with our desire to meet the provisions of MDG Goal 2 of achieving universal primary education

129. Similarly, Mr. Speaker, import of HIV/AIDS drugs into the country are exempt from import duty and VAT. However the raw materials of local manufacturers of the same drugs are subject to import duty and VAT. To further boost the fight against HIV/AIDS, raw materials imported for the local production of these HIV/AIDS drugs under the supervision of the Ministry of Health will also be exempted from import duty and VAT. This is consistent with the MDG Goal 6 dealing with the combat of HIV/AIDS, Malaria, and other diseases.

Social Intervention Initiatives

130. Mr. Speaker, in 2014 the Livelihood Empowerment Against Poverty (LEAP) programme will be supported with an amount of GH¢38.0 million to cover 150,000 households and improve the targeting of LEAP using more efficient data collection, as well as expansion in the coverage of the programme. This is to ensure that the impacts already achieved are not only deepened but also have a lasting effect on lives of a greater number of beneficiaries, their families and wider communities.
131. In 2014, the SADA programme in collaboration with the Ministry of Gender, Children and Social Protection will undertake specific interventions to address growing migration of older women to urban, market locations.
132. Mr. Speaker, Government will ensure the construction of 1,600 Community Health Planning and Services (CHPS) compounds to improve equitable access to healthcare. Special-purpose CHPS compounds focusing on Maternal and neo-natal health will be built under a special purpose fund established by the President.
133. In 2013, the Government of Ghana purchased 12.9 million text books for primary and junior high school in the three core subjects – English, Maths, and Science. There are also new teacher guides. This was a government initiative to deliver on the policy commitment of ensuring each child had 3 core textbooks. In 2014, Government, with the assistance of its partners will also source basic science kits for junior high schools to improve the quality of teaching.

134. As part of planned Social Intervention Programmes in 2014 for the education sector, an amount of GH¢101.15 million will be spent on the completion of on-going education infrastructure, removal of "Schools Under Trees", Senior High Schools 'Quick Fix' Projects and start-up for community day Senior High School projects. An amount of GH¢10.0 million will be invested in free school uniforms while provision of free exercise books to pupils in deprived communities will receive GH¢10.0 million. The Capitation Grants scheme will receive GH¢25.4 million while GH¢14.1 million and GH¢60.8 million have been allocated for the BECE and SHS subsidies respectively.
135. The Energy sector will receive an amount of GH¢20.0 million for the Self Help Electrification Project (SHEP) to provide electricity for rural dwellers.
136. Under the Kero Lantern Replacement project, the Ministry of Energy and Petroleum is deploying 200,000 solar lanterns to replace kerosene lanterns particularly in areas without electricity, so far, 20,000 lanterns have been deployed in over 50 communities throughout the country.
137. The Rural LPG programme seeks to promote the use of LPGs in rural communities in particular. The project will see the deployment of 15,000 cylinders in 10 districts in the 10 regions on a pilot basis. This will be followed up with the deployment of 250,000 cylinders nationwide.
138. The refrigerator rebase programme seeks to replace old energy inefficient fridges with energy efficient new fridges. Under the programme, individuals turn in their old inefficient fridges to the Energy Commission for a coupon of GH¢200.00 to enable them purchase new energy efficient fridges from designated dealers throughout the country.

Transparency and Anti-Corruption Initiatives

139. Mr. Speaker, the measures proposed in this Budget are predicated on a strong and decisive fight against corruption. H.E. President John Dramani Mahama announced specific anti-corruption measures and declared that the "key to resolving the

corruption problem is strengthening our capacity to prevent, and where it has already happened, detect, investigate, retrieve and successfully prosecute the perpetrators."

140. Mr. Speaker, this budget takes a serious view of the President's avowed commitment to fight corruption in all its forms and, following H.E's directives, additional budget provisions have been made to strengthen anti-corruption agencies, notably CHRAJ. Also, as directed by H.E. the President, a percentage of proceeds of corruption when recovered, will be paid to anti-corruption agencies instrumental in exposing such acts, and this will further strengthen their resource base.
141. Mr. Speaker, the work on GIFMIS will enhance our technological capacity to fight corruption arising from possible collusion and manipulation of databases and records.
142. Mr. Speaker, Government takes a very serious view of Value-for-money and transparent means for its contracting for projects and services that involve the use of public funds. Consequently, all contracts have been carefully codified in the contract database, and these are selectively being reviewed for compliance with all the provisions under the law. H.E. President Mahama has recently announced as part of Government's anti-corruption measures that all contracts for services proved to have been unlawfully awarded should be reviewed and possibly canceled.

SECTORAL PERFORMANCE AND OUTLOOK

FOOD AND AGRICULTURE

Food Security and Emergency Preparedness Programme

143. Mr. Speaker, this programme seeks to reduce food and nutrition insecurity through modernized agriculture, management of national strategic stocks for emergencies and the establishment of effective early warning systems.
144. The Ministry through Ghana Irrigation Development Authority continued with the construction and rehabilitation works on the

Dawa, Ave Afiedenyigba, Tono Phase II, Akomadan, Dawenya, Zuedam/Tankase and Koori irrigation projects. When completed, a total of 640 hectares of irrigable area will be available for cultivation. In 2014, the Government will partner the private sector to continue the rehabilitation of existing irrigation schemes to promote all year farming. It will also intensify the provision of extension services to farmers. In addition, the Ministry will increase irrigated area to 20,605 hectares to increase the production of cereals and vegetables to 120,153 metric tons.

145. Mr. Speaker, the Ministry will continue with its Youth in Agriculture programme and implement a number of activities under the Block Farm, Livestock and Poultry and Agri-business initiatives.
146. In 2014, the Ministry will improve existing market infrastructure, grading and standardization systems, market intelligence, and strengthen the capacity of stakeholders along the value chain. Specifically, the Ministry will facilitate the linkage of agro-business firms with small holding farmers, design and launch a market promotion programme for made in Ghana commodities and also facilitate the enforcement of anti-dumping regulations.

COCOA

147. Mr. Speaker, cocoa continued to play its pivotal role in the development of the economy especially in rural development. Government continued to implement policy initiatives that ensured efficiency and contributed effectively to the growth in the cocoa sector.
148. Mr. Speaker, for the 2013/14 crop year an amount of US\$1.2 billion was raised in the syndicated loan market, as compared to the US\$1.3 billion drawn during the 2012/13 cocoa season. This is to facilitate the implementation of programmes and activities during the current cocoa crop season.
149. Government maintained the producer price of dried cocoa beans at GH¢3,392 per tonne. This translates into GH¢212 per bag of 64 kilogram gross weight and represents 79.17 percent of the net Free-On-Board (FOB) price.

150. Mr. Speaker, given the continued fall in the price of cocoa beans on the world market, Government sacrificed about 62 percent of its share (export tax) of the F.O.B to maintain the producer price paid to the farmer. This shows Government’s commitment to the non-oil sector, cocoa which has been the backbone of this country’s economy for over a century.

Accelerated Agriculture Modernization

151. Mr. Speaker, as part of efforts to boost agriculture production, facilitate trade and improve the environment for commercial activities, government will undertake initiatives to transform agriculture. The focus will address post production challenges in agribusiness. In this regard, government will facilitate the pooling of private and public sector funds to pursue the following major initiatives in the agricultural sector:

- **Developing modern Farmers markets:** Government will construct two modern farmers markets in the Brong Ahafo and Northern Regions. The Brong Ahafo market will focus on grains while the market in the Northern region will focus on tubers. However, there will be facilities for other agriculture produce. The facilities to be provided will include stalls, shops, large warehouses, cold rooms as well as business and trading centres. Farmers and producers will be registered and a database developed. The markets will be privately managed through a limited liability company.
- **Development of Agriculture Estates:** Government will facilitate the establishment of agricultural estates on the Accra plains and other existing state lands in collaboration with the private sector through Public Private Partnership arrangements.
- **Scaling up of the Agricultural Insurance Scheme:** Mr. Speaker, Agriculture insurance protects farmers against adverse climactic conditions, improves farmers’ access to finance and credit facilities and promotes investment in agricultural productivity which will lead to food security, increased incomes of farmers and poverty reduction. Government with the assistance of other

stakeholders will scale up the commercial agricultural insurance system established in 2011 on a pilot basis to cover multiple crops, weather and more regions.

- Expansion of the coverage of agriculture insurance will have a widespread impact on the economy. The expansions in farms coupled with prudent investment in agronomic activities will have a direct effect on food availability and accessibility for the citizenry leading to an increased food security situation. Insurance cover could also be used as the catalyst to promote commercial agriculture.

ENERGY AND PETROLEUM

Power Generation, Transmission and Distribution Programme

152. Mr. Speaker, in line with government’s objective of achieving 5,000MW generation capacity by 2016, the 132MW combined cycle Takoradi T3 Plant was completed. In addition, 2 out of 4 generating units of the Bui Hydro Project were commissioned to generate 266MW into the national grid at peak periods. This has reduced the degree of power curtailment in the country and stabilized the voltage supply. Construction works for the expansion of the 110MW T2 Aboadze plant was commenced.
153. In 2014, the ministry will add an additional 342MW to the expected installed capacity of 2,845.5MW by completing the first phase of 220MW Kpone Thermal Power Plant (KTPP), 110MW T2 (Tico Expansion) and VRA 12MW Solar PV project.
154. Mr. Speaker, to address the challenges facing power distribution in the country, including distribution losses reduction, the following on-going projects will be completed to enhance the distribution system;
- The construction of ECG 33/11kV primary sub-stations at Fawode, Achiasse, New Dansoman and Anyinam in Ashanti Regions;

- The construction of a new Bulk Supply Point at Tema (Smelter II)
 - The installation of 70,000 split-prepaid meters to replace credit meters within ECG’s system and the supply and installation of a Commercial Management System for ECG.
- Under the replacement of credit with prepaid meter programme, 2,309 out of 2,912 credit meters have been replaced with prepaid meters in the ECG area of operation, representing 80 percent. In the NEDCo area of operation 2,157 out of 3,447 credit meters have been replaced with prepaid meters, representing 63 percent.

Petroleum Development Programme

155. Mr. Speaker, in line with government’s commitment to developing the petroleum sector, the Plan of Development for upcoming fields, Tweneboa, Enyera and Ntomme with estimated recoverable reserves of 245mmbbls of oil and 365 bcf of gas, was reviewed and approved. Appraisal activities for the Sankofa East and Gye Nyame were completed and commerciality declared for both oil and non-associated gas resources. In 2014, the main focus under the upstream petroleum subsector will be to attain peak oil production of 120,000 barrels of oil per day in the Jubilee Field.
156. The 3 components of the Gas Infrastructure project, consisting of offshore and onshore pipelines are 95 and 90 percent complete respectively whilst the gas processing plant is 55 percent complete.
157. Mr. Speaker, in line with the medium term objective of increasing renewable energy to 10 percent in the generation mix by 2020, the following renewable energy projects will be pursued:
- Installation of solar stand-alone power systems for off-grid basic schools to facilitate learning of ICT in 98 districts;
 - Installation of solar systems at 25 energy service centres and 65 Solar street lights for remote rural communities;

- Continuation of solar lantern promotion programme with the distribution of 50,000 solar lantern nationwide;
- Distribution of at least 100,000 improved firewood and charcoal stoves nationwide through the Ghana alliance for clean cook stoves;
- Feasibility studies on the Pwalugu and Juale mini hydro power projects will be undertaken to pave way for the construction of additional 120 MW.

TRADE AND INDUSTRY

158. Mr. Speaker, a national export strategy and National Export Development Programme were launched in August to improve the potentials of the Non-Traditional Export sector to achieve the strategic growth target of US\$5.0 billion within five years. In the coming year, the Ghana Export Promotion Authority will undertake trade fairs, solo exhibitions and buyer-seller meetings in 5 ECOWAS Countries to showcase Made-in-Ghana products and services.
159. Mr. Speaker, in order to help reduce post-harvest losses and promote food security in Ghana, GRATIS Foundation in collaboration with the Root and Tuber Improvement and Marketing Programme of MoFA designed and prototyped a 1.5 metric ton High Quality Cassava Flour Dryer to produce composite flour. GRATIS also designed and prototyped a dual palm oil expeller which enhanced the operations of palm oil producers by reducing time and cost of production.
160. Mr. Speaker, the National Board for Small Scale Industries (NBSSI) provided business advisory services to 8,624 entrepreneurs, and trained 29 women entrepreneurs in Kumasi in sound financial management to sharpen their financial and record-keeping skills to enhance access to credit. In the coming year, the NBSSI will establish 3 Business Incubators in Accra, Kumasi and Tamale; provide 30 Business Advisory Centres; and organize tailor-made entrepreneurial, managerial and technical skills training for 4,800 rural entrepreneurs to create employment

opportunities, reduce rural-urban migration and increase income levels.

ENVIRONMENT, SCIENCE, TECHNOLOGY AND INNOVATION

161. Mr. Speaker, the construction of the national local material resource training Centre was completed and a sensitization seminar and training on the use of local building materials organized for 100 Architects and professionals as well as 50 masons.
162. Under the Better Ghana ICT Project, 60,000 laptops were distributed to upgrade the ICT labs of beneficiary schools. In 2014, the project will procure 50,000 laptops to stock ICT laboratories of schools for distribution to first year students in tertiary institutions.
163. Mr. Speaker, under the Mathematics, Science and Technology Education Programme, 2,560 scholarships were awarded to new beneficiaries for the 2012/2013 academic year as well as 3,700 for continuing students. In the 2014/2015 academic year, the programme will provide scholarships for a total of 7,000 beneficiaries, to enhance and sustain the interest of needy but brilliant students in the Science and Technical fields of study.

TOURISM, CULTURE AND CREATIVE ARTS

164. Mr. Speaker, the tourism sector was the 4th highest foreign exchange earner after Gold, Cocoa and foreign remittances by contributing US\$ 1.7 billion to GDP in 2012. Actual international tourist arrivals rose from 903,300 in 2012 to 993,600 in 2013.
165. In 2014, the Ministry will facilitate the completion of the Accra Visitor Information Centre and tourist receptive facilities in Axim, Kpetoe, Salaga and Gwollu to improve information dissemination and basic services. It will also increase revenue as well as create employment for the beneficiary communities.

166. In 2014, the Ministry will organize the National Festival of Arts and Culture as part of efforts to showcase Ghana's rich culture for patronage by domestic and international tourists and also review the National Commission of Culture law and Laws of other Culture related Agencies.

INFRASTRUCTURE SECTOR

WATER RESOURCES, WORKS AND HOUSING

Water and Sanitation Management Programme

167. Mr. Speaker, the Ministry initiated the review of the National Water Policy to incorporate current trends in the water and sanitation sector. Co-operation was established with external agencies to help incorporate rain water harvesting schemes as part of the national building codes. In 2014, the Ministry will complete the review of the national water policy and incorporate rain water harvesting schemes into the national building codes to promote rainwater harvesting as a supplement to water service delivery.
168. Mr. Speaker, in order to minimize the impact of floods in the northern part of Ghana, an operational flood forecasting and early warning system for the White Volta from its border with Burkina Faso to the Volta Lake was developed. In 2014, the Water Resources Commission will enhance trans-boundary cooperation through ratification of UN Watercourses Convention as well as development of protocols between Ghana and Cote d'Ivoire for the management of the Tano and Bia river basins.

Urban Water Management Programme

169. Mr. Speaker, to raise the percentage of urban dwellers who have access to safe, adequate and affordable water from 63 percent in 2012 to 68 percent in 2013, the Ghana Water Company Limited completed the following water projects;
- Rehabilitation and expansion of the Barekese water treatment plant to add 6 Million Gallons a Day (MGD) to current production of 24 million gallons/day;

- Rehabilitation and expansion of the South Kpong Accra-Tema Metropolitan Area treatment plant to add 9 million gallons/day to the existing 6.2 million gallons/day;
- Works on the 3.2 million gallons/day Essakyir water supply project;
- Rehabilitation and expansion of the water treatment plant at Mampong in Ashanti to add 1.05 million gallons/day to the existing production; and
- Construction of 5 water treatment plants to produce a total of 1.5 million gallons/day to serve the following towns: Osenase, Kibi, Anyinam, Apedwa and Kwabeng.

170. Mr. Speaker, in 2014, the Ghana Water Company Limited will continue to:

- Rehabilitate and expand 20 water supply systems in the Volta, Western, Eastern, Central, Ashanti, Northern and Upper West Regions; Rehabilitate and construct a 1.6 million gallons/day water treatment plant under the Nsawam Water Project (Phase 1);
- Complete the rehabilitation and construction of 3.3MGD water treatment plant under the Kpong Intake Expansion project; the construction of a 13.2MGD desalinated water plant under the PPP project at Teshie-Nungua; and the construction of the 40MGD water treatment plant-Kpong Head works,
- Complete the rehabilitation and expansion works on the Akim Oda, Akwatia (4.18MGD) and Winneba Water Supply Project; the construction and rehabilitation of 8.47MGD water treatment plant under the 3K Water Supply Project; and the construction of a 3.3MGD water treatment plant under the Wa Water Supply Expansion Project,
- Complete the rehabilitation of 10 dams and weirs in the Northern, Ashanti, Western, Eastern, Brong Ahafo and

Greater Accra Regions; Rehabilitate and expand water systems in Bawku, Navrongo and Berekum; complete expansion works on the Winneba water supply system and extension of the distribution network to serve the following communities Apam, Ankamu, Mprumem, Mankoadze, Pomadze and Okyereko.

Rural Water Management Programme

171. The Peri-Urban, Rural and Small Towns Water and Sanitation Project aimed at improving access to sustainable water and sanitation services for 300,000 people in all the 22 Districts of the Brong Ahafo Region was completed. The project delivered 17 small town piped schemes, 670 boreholes fitted with hand pumps and 20 hand dug wells. The Community Water and Sanitation Agency (CWSA) will provide potable water to 8 additional small towns under the project in 2014.
172. Under the Sustainable Rural Water and Sanitation Project which is targeted to improve access to water and sanitation for 600,000 people in 66 districts in Upper West, Upper East, Northern, Brong Ahafo, Central and Western Regions, 900 bore holes drilled and awaiting hand pump installation whilst contracts for the supply of 1,600 hand pumps for installation on boreholes were signed. In addition, contracts for the rehabilitation of 400 boreholes in the Northern Region were also signed. In 2014, construction works under this Project will continue in all the targeted districts.

Human Settlement and Development Programme

173. Mr. Speaker, the Ministry continued to implement the National Housing policy to reduce the housing deficit by creating the enabling environment for private sector participation to deliver affordable housing units as well as improve mortgage affordability in the country.
174. In order to increase the residential housing units for staff of the Bureau of National Investigations (BNI), 72 two-bedroom flats were completed whilst the remaining 96 are at various stages of completion. Works on the second phase of the BNI housing project will commence in 2014.

175. The Cocoa Farmers Housing Project targeted 17 three-bedroom house types to provide access to affordable shelter for cocoa farmers in the cocoa growing communities. The Department of Rural Housing commenced the construction of 8 out of the planned number in the Western Region and will complete works on all the 17 by end 2014.

Infrastructure Management Programme

176. Mr. Speaker, to reduce the perennial flooding and safeguard life and property, the Hydrological Services Department constructed various storm water concrete drainage systems at Sakaman, Nima, Goaso, Salaga, Sakumono-Lashibi and Bolgatanga. The Department continued with the routine maintenance of the lower and upper sections of the Korle Lagoon and Odaw stream under the Accra Sanitary Sewer and Storm Drainage Alleviation Project.
177. The Department will continue with the routine maintenance of the lower and upper sections of the Korle Lagoon to bring life into the ecosystem in 2014. It will also commence construction works on the drainage systems at Ashaiman, Swedru, Winneba, Ejura, Tepa, Asankragua, Kumawu, and Tamale.
178. Mr. Speaker, the Department also completed protective works on the 500m and 1,000m stretch of armour rock revetment at Ngyiresia and Sakumono Coastlines respectively. The construction of 500m of armor rock groyne at Atorkor-Dzita-Anyanui and 4 armour rock groynes to protect 3,000m of Ada Coastlines were also completed.
179. The Hydrological Services Department will continue the coastal protection works at Atorkor-Dzita-Anyanui (phase III) shore line, Ada, Sakumono, Amanful-Kumah, and Ngyiresia.

ROADS AND HIGHWAYS

180. Mr. Speaker, the Ministry continued to improve major road corridors to promote trade and economic activities. A total of 103km of development works including reconstruction, construction and upgrading were undertaken against a target of 75km which represents 138 percent whilst 13 bridges out of 30 on the feeder road network were completed.

181. Mr. Speaker, in 2014, the Ministry will construct 300km of trunk roads, 90km of rural roads and 150km of urban roads. It will also undertake 8 engineering studies and construct 12 trunk, 20 rural and 2 urban bridges as part of the development of key road corridors.
182. In 2014, construction of the following roads will continue: Tetteh Quarshie-Madina; Asankragwa-Enchi; Kwafokrom-Apedwa; Buipe-Tamale and Fufulso-Sawla as well as the Dodi-Pepesu Nkwanta; Tarkwa-Bogoso-Ayamfuri; Agona Junction-Elubo; Anyaa-Pokuase; Burma Camp Roads; Giffard Road; and the Sunyani road in Kumasi.
183. Mr. Speaker, the Ministry commenced the use of the Public Private Partnership (PPP) model for the financing, construction and management of road infrastructure. A consultant was procured to undertake feasibility study on the dualization of the Accra-Takoradi road. The PPP contract for the financing, design and construction of an overpass on the motorway at Teshie Link is on-going. In 2014 the Accra-Tema Motorway rehabilitation and expansion, Accra – Kumasi dualization and the Western Corridor roads Phase 1 (Elubo-Sunyani) following road projects will be considered under PPP arrangement.
184. Mr. Speaker, the Ministry undertook routine and periodic maintenance activities on 5,819km of trunk; 3,400km of feeder, and 1,193km of urban road networks. In addition, periodic maintenance activities comprising re-gravelling, spot improvement and resealing works were carried out on 21km, 374km and 13km on the trunk, feeder and urban road networks respectively.
185. In 2014, the Ministry will continue to undertake routine maintenance activities on 11,600km trunk, 16,000km feeder and 4,200km urban road networks. Periodic maintenance activities will be undertaken on 892km trunk, 1,500km feeder and 1,200km urban roads. In addition, minor rehabilitation works will be undertaken on 625km trunk, 1,425km feeder and 200km urban roads. The Ministry will continue to improve road maintenance financing by implementing electronic tolling of roads to improve revenue generation into the Road Fund.

186. Mr. Speaker, the Ministry pursued the implementation of the Law on Axle Load Limit as stipulated in the New Road Traffic Regulation LI 2180. Intensive education and sensitization were organized for key stakeholders. The Ministry will reduce overloaded vehicles weighed at Permanent Axle Weigh Bridge Stations to 15 percent. The Ministry will also install and maintain 60 traffic signals and 21 road safety hazard sites across the country.

TRANSPORT

187. Mr. Speaker, the Ministry pursued its policy of encouraging private sector participation in the aviation industry which resulted in competitive domestic aviation service delivery.
188. The KIA-Phase III rehabilitation project is 47 percent complete. Feasibility study and design for the expansion of the KIA terminal building was completed whilst work is on-going on additional parking bay for 8 wide-body aircrafts to address the inadequate parking space at the airside during peak periods. The construction of a 7-Storey Ghana Aviation Training Academy (GATA) complex building is about 80 percent complete.
189. Mr. Speaker, in 2014, the KIA Terminal Building Expansion project will continue in order to provide a new enlarged departure hall, a concourse building to accommodate 6 new boarding gates with hold rooms, boarding bridges, retail and concession spaces, airline lounges, expanded halls for arrival, immigration and baggage claim area.
190. Preparatory works on the upgrade of the Tamale Airport as an alternate to KIA is on-going and actual works will commence in 2014 whilst a master plan for the development of the new airport will also be prepared.
191. Mr. Speaker, the Ministry completed the design works and signed contract agreement for the development of 11 Fish Landing Sites at Axim, Dixcove, Moree, Mumford, Elmina, Winneba, Senya Bereku, Gomoa Fete, James Town, Teshie and Keta. The construction of these landing sites will commence in 2014.

192. Mr. Speaker, the rehabilitation and extension of the Accra-Tema sub-urban railway line from Tema Harbour to Japan Motors as well as the renovation and construction of railway stations along Accra-Tema railway line are at various stages of completion.
193. The Ghana Railway Development Authority will continue the rehabilitation and re-development of the Sekondi-Takoradi via Kojokrom sub-urban railway line. Modern signaling and communication facilities will also be provided.
194. Mr. Speaker, to enhance road safety in the country and reduce the menace of road accidents, the National Road Safety Commission sensitized the general public on road safety rules and regulations, monitored the implementation of road safety strategies and set standards for road safety equipment. In 2014, the Commission will continue with implementation of the Road Safety Strategic Plan which specifies programmes and activities to be undertaken by road safety implementing agencies in the country.

COMMUNICATIONS

195. Mr. Speaker, the telecommunications sector continued to register impressive growth rate in subscription. The total telephone subscription for both cellular and fixed lines as at August 2013, stood at 27,529,818 compared to 24,709,744 for the same period in 2012. A total of 67 licenses and authorizations were granted by the National Communications Authority to various communications service providers.
196. Mr. Speaker, the Ministry will continue with the construction of the fibre optic infrastructure which will comprise the construction of a data centre and a managed services component to ensure security of data on the entire network. It is expected that the project will provide high-speed connectivity throughout the country to support entrepreneurial development and enhance job creation.

SOCIAL SECTOR

EDUCATION

197. Mr. Speaker, through the following interventions, Government continued and will further pursue the objective of improving access to and quality of education;
- Mr. Speaker, Government distributed 32 million exercise books to Basic Schools across the country, benefiting 4,768,806 pupils while 170,221 pupils, in selected deprived communities, benefited from free school uniforms. In 2014, about 10 million exercise books will be distributed nationwide whilst 10,000 school uniforms will be provided to needy pupils. Government will also provide BECE subsidy for over 403,000 final year JHS pupils.
 - Under the programme of removing schools under trees, 983 classroom blocks representing 43.3 percent out of the total of 2,269 have so far been completed and handed over with the remaining 1,286 at various stages of completion.
 - Mr. Speaker, these interventions among others contributed to an increase in enrolment at all levels of Basic Education between the 2011/12 and 2012/13 academic years. The enrolment levels now stand at 1.6 from 1.4 million in KG, 4.1 from 3.9 million in Primary and 1.4 from 1.3 million in JHS. Government plans to complete 190 6-unit Classroom Blocks under the "Schools under trees" project in 2014.
 - Mr. Speaker, 12,000 pupil teachers were enrolled under the "Untrained Teacher Diploma in Basic Education" Programme. In addition, In-Service Education and Training was organized for 3,086 KG teachers, 13,264 Primary School teachers and 6,534 JHS teachers.
 - Mr. Speaker, a total of 12.5 million English, Mathematics and Science textbooks were procured and distributed to public Primary and JHS Schools which exceeded the target Textbook-Pupil ratio of three textbooks per pupil to four textbooks per pupil.

- Provision of Capitation Grant for 5,741,198 pupils in Public Basic Schools for the 2012/2013 academic year and subsidizing the registration cost of 391,079 candidates for the Basic Education Certificate Examination.
198. Mr. Speaker, in pursuance of the Ministry's objective to ensure increased access to second cycle education, subsidy was provided for 736,919 SHS students and 55,147 TVET students.
199. To ensure adequate provision of infrastructure to increase access to SHS enrolment, the Ministry completed 75 6-unit classroom blocks while 45 2-storey Emergency Dormitory Blocks were completed and handed over. The remaining 86 classroom blocks and 10 dormitory blocks are at various stages of completion.
200. Mr. Speaker, in 2014, the Ministry will increase enrolment levels at SHS from 770,925 to 786,344 and from 32,833 to 33,490 in TVET. This will be achieved through interventions such as provision of subsidies for over 780,000 SHS students and 33,000 TVET students.
201. Mr. Speaker, only 60 percent of Junior High School graduates are absorbed annually into the country's Second Cycle institutions. In a bid to increase access to Secondary Education, the Ministry will commence the construction of 200 community day SHS in 2014. The beneficiary districts have been identified and the procurement of contractors and consultants for the construction of the first 50 schools is on-going. In addition, the Ministry will complete the remaining 10 2-storey Dormitory Blocks and 60 6-Unit Classroom Blocks under the Quick Fix Project.
202. To reduce the cost of Special Education to parents, 6,800 pupils benefited from feeding grants in the second and third terms of 2012/13 academic year. The feeding grants will be provided for 7,566 pupils in Special Schools and Units in the 2013/14 academic year.

YOUTH AND SPORTS

203. The remaining 8 out of the 20 multi-purpose sports courts in some selected districts and educational institutions across the country will be completed in 2014.
204. Mr. Speaker, the Senior National Football Team, the Black Stars won the first leg of the play off qualifier for Brazil 2014 FIFA World Cup tournament against the Pharaohs of Egypt and will hopefully repeat a similar feat in Egypt to earn participation in the tournament.
205. Mr. Speaker, the Ministry will expedite action on the construction of a Modern Boxing Gym at Bukom, the rehabilitation of the Accra, Baba Yara, Essipong and Tamale Sports Stadia, and preparatory works for the construction of 10 Sports Senior High Schools in all the regional capitals and district sports arenas.
206. An amount of GH¢3.3 million have been budgeted to be shared equally to the 33 sports associations to facilitate their activities. This is part of measures of Government to ensure that the lesser known sports are adequately resourced. The component for the Ghana Football Association will be used to support Juvenile (colts) football.

HEALTH

207. Mr. Speaker, under the National Health Insurance Scheme, a pilot membership authentication system was implemented in Ayawaso and La district schemes in Accra. Total indigents increased by 17 percent from 393,453 in 2012 to 458,685 in 2013. About 5,000 beneficiaries were registered and the common targeting mechanism is being piloted in 10 districts across the country. A further 1,037 inmates of psychiatric hospitals were registered in Accra Mental and Pantang Psychiatric Hospitals.
208. In 2014, the scheme will scale up the implementation of enhanced membership authentication and the e-claims systems across the country to bring sanity in utilization, claims management and improved operations. The Ministry will increase membership of the Scheme by 9 percent to reach 10.15 million,

with the informal sector constituting 35 percent. Claims cost is projected at GH¢765 million, an increase of 12 percent.

209. Mr. Speaker, the Ministry continued the rehabilitation and upgrading of Bolgatanga Regional Hospital and completed the construction of the Tarkwa District Hospital. In addition, 19 CHPS compounds were constructed whilst works on 25 new CHPS compounds commenced. In 2014, the Ministry will continue the construction of CHPS compounds.
210. Mr. Speaker, in 2014, the Ministry will undertake the rehabilitation or expansion of various Regional and District hospitals and Polyclinics across the country. These will include the completion of 20 percent upgrading of Ridge Hospital into a functional Regional Hospital, continuation of the rehabilitation of Bolgatanga Regional Hospital, construction and completion of civil works of 5 Polyclinics in the Brong Ahafo Region, completion of 50 percent new maternity facility at the Tema General Hospital, completion of maternity block at Tafo Hospital in Kumasi and refurbishment/ upgrading of Kaneshie Polyclinic into a District Hospital.
211. Additional works are the rehabilitation of Bechem Hospital, construction of 5 Polyclinics in Greater Accra Region, rehabilitation of Axim Hospital, construction of a National Blood Transfusion centre in Accra and Kumasi, construction of 2 Regional Hospitals in the Western and Eastern Regions, construction of 37 prefabricated Polyclinics and CHPS, construction of Tuberculosis Centres, construction of District Hospitals at Adenta, East Mamprusi and Bisease.

EMPLOYMENT AND LABOUR RELATIONS

212. Mr. Speaker, Government's commitment to remove distortions and inequities in Public Service pay through the implementation of the Single Spine Pay Policy is steadily on course despite challenges. Statistics indicate that 479,497 out of a target of 480,000 public workers were migrated onto the Single Spine Salary Structure. In collaboration with social partners, the National Tripartite Committee also successfully negotiated the

National Minimum Wage and determined the 2013 Base pay and Pay point relativity.

213. Mr. Speaker, the Fair Wages and Salaries Commission will also collaborate with the Controller and Accountant General's Department and the Head of Civil Service to carry out a national payroll survey that will rationalize nominal roll with pay roll of each public service institution. The objective is to clean the public service payroll and possibly reduce the Public Sector wage bill over time.
214. Mr. Speaker, it is now Government policy to link pay to work and productivity in the public service. This enjoins employers to pay for work done and compensate for increases in productivity of employees. In line with Section 168 (2 & 4) of the Labour Act of 2003, Act 651, Government will henceforth pay only for work done. To implement these policy directives, a national framework to link pay to work and a productivity index in the public service will be developed by the Ministry.

PUBLIC SAFETY

215. Mr. Speaker, Ghana Navy provided security for the off-shore oil and gas fields and effectively monitored and controlled our marine resources. The Navy will undertake the docking and maintenance of Naval platforms to enable it effectively protect the Nation's territorial waters and oil facilities.
216. Mr. Speaker, the Commission continued to work on the National Anti-Corruption Action Plan and was made the focal point for the preparation of the Self-Assessment Checklist for the 2013 United Nations Convention against Corruption. In 2014, the Commission will provide training for heads of departments on the Code of Conduct, enforce the Code of Conduct for public officers, intensify public education on corruption, monitor the implementation of the NACAP by other stakeholders, and investigate complaints/allegations of corruption.
217. Mr. Speaker, the country suffered rampaging effects of occurrences of Bush and Market Fires in various areas of the country. However, Government through the Fire Service trained

542 civilians to augment the Anti-Bush Fire Volunteers nationwide and a total of 5,091 fire certificates were issued after undertaking fire inspection activities. In 2014, the Service will carry out anti-bush fire campaigns and train fire volunteer squads in the rural communities, procure fire-fighting equipment and embark on media discussions on disaster risk reduction.

218. Mr. Speaker, the Government continued to maintain peace and order in the country before and after the 2012 Presidential and Parliamentary Elections and quelled the ethnic, communal conflicts and attacks that erupted in some parts of the country particularly Yendi, Bawku, Nkonya, Alavanyo, and Kumasi. To aid the operations of the Police, two mobile clinic vans, communication equipment, 6 marine police speed boats and 14 "Maverick" armoured vehicles were acquired. In addition, the Service established a Marine Police Unit in the Western Region to protect the oil and gas industry.
219. In 2014, the Government will intensify the visibility project, day and night patrols on the highways, commercial and residential suburbs of the major cities across the country. It will also expand the intelligence-led policing through the reward to informant system.

PUBLIC FINANCIAL MANAGEMENT

220. Mr. Speaker, key PFM reform initiatives currently being implemented to improve revenue mobilization and expenditure management are on course to ensure value for money and efficient service delivery. Key among them are the Ghana Integrated Financial Management Information System, Programme-Based Budgeting, Fiscal Decentralization and Modernization of Revenue Management and Administration
221. The current budget reforms which involve the introduction of Programme Based Budgeting (PBB), seeks to change the budget classification from Activities to Programmes, and introduce performance information in the budget system. The new budget approach is envisaged to respond to the challenges identified with the Activity Based Budgeting system such as the very complex and detailed budget structure and the centralized budget management. Additionally, the system for budget preparation will be changed from the Microsoft Access-based Activate software to an Oracle-based Hyperion system. This is expected to fully integrate with the GIFMIS and other ongoing reforms to strengthen Ghana’s PFM system.
222. Mr. Speaker, over the last two years, MOF has, under the acceleration of Fiscal Decentralization reforms, given priority to undertaking a systematic and comprehensive review of the intergovernmental fiscal policy framework, the transfer and grant system with the view to restructuring them to ensure that MMDAs have reliable resource flow to implement their devolved functions.
223. Mr. Speaker, in 2014 government will initiate measures to strengthen local revenue generation as an important fiscal decentralization reform component to ensure that MMDAs control substantial own revenue flows to enhance their capacity to actually perform the roles they have been formally authorized to play, while they remain accountable to local citizens for the public goods and services that they deliver
224. Mr. Speaker, the implementation of the GIFMIS is a major pillar of the PFM reform programme of the government. When fully

implemented, GIFMIS will serve as the single source system for official budget preparation and management, cash and treasury management, purchase ordering and payments, and financial control and reporting for the country as a whole. In 2014, the system will be connected to offices of spending units who currently process their transactions at Transaction Processing Centres.

225. Mr. Speaker, the focus of the revenue management reform in the past 3 years has been on the integration of the erstwhile Internal Revenue Service and the Value Added Tax service to create the Domestic Tax Revenue Division (DTRD). GRA has continued and completed the concept of Segmentation by creating 15 Medium Taxpayer Offices (MTO) and 51 Small Taxpayer Offices (STO) in addition to the existing Large Taxpayer Office (LTO).

POVERTY AND SOCIAL PROTECTION PROGRAMMES

226. Mr. Speaker, Government has expressed a renewed commitment at rationalizing social protection expenditure in order to ensure that efficient, well-targeted interventions necessary to improve the lives of the vulnerable are implemented in 2014. The evidence of this renewed commitment is the realignment, by His Excellency the President, of the former Women and Children Affairs Ministry into the Gender, Children and Social Protection Ministry to comprehensively, address social protection issues in Ghana.
227. Mr. Speaker, in recent times, government has chalked up success in the implementation of the Livelihood Empowerment Against Poverty (LEAP) which is the flagship cash transfer programme of Ghana's National Social Protection Strategy. By mid-year of 2013 the coverage had reached about 71,000 households in all 10 regions of the country and there are plans to extend the programme to 100,000 by close of 2013. It is estimated that 150,000 households will be covered by close of the year 2014. The Ministry will improve the targeting of LEAP through efficient data collection as well as expansion in the coverage of the programme to ensure that the impacts already achieved are not only deepened, but also have a lasting effect on the lives of a

greater number of beneficiaries, their families and wider communities.

CONCLUSION

228. Mr. Speaker, This budget has been prepared with due consideration of the aspirations of the Ghanaian for a better Ghana that provides opportunity for all. It also reflects our determination as a government to deliver on our mandate and our resolve to rise up to the challenge and confront the very difficult responsibility to realign the budget to meet key national priorities. These measures are necessary for making a smooth transition to LMIC status.
229. We believe that the task is for the hopeful and strong and not the pessimist. The journey to economic prosperity is a marathon, with judicious sprints needed to transform this country.
230. We will continue to provide key sectors like agriculture and manufacturing with incentives to enhance their competitiveness. Two funds will be set up to address two key challenges that this country faces: limited infrastructure and access to credit for our small and medium scale enterprises that form a significant component of our economy and employ a good number of our people. This we believe, will not only create jobs but generate the environment for increased economic activity
231. Mr. Speaker, there is the general view, that countries attain middle income status and economic growth at the expense of social service provision. Government, therefore, recognizes the need to consciously provide basic goods and services to individuals and families who are poor or vulnerable to mitigate, prevent or cope with economic, social, natural and other shocks that affect their livelihood and survival.
232. In that regard, critical social intervention programmes will be continued with special emphasis on the expansion of the LEAP programme from 100,000 to 150,000 households. We will push for attainment of our MDG goals. Others will be rationalized to improve targeting and make them more efficient and effective.

233. To improve efficiency in the delivery of public services, we have for the first time introducing performance measurement in the budget management pushing our agencies to be more efficient and deliver value for every cedi that is spent. Service improvement indicators have been included in the budget of all MDAs and they will be assessed on that basis through the implementation of programme based budgeting.
234. Mr. Speaker, this is a demonstration of our commitment to the principles of good economic governance in terms of transparency and accountability.
235. Mr. Speaker, it is our conviction that this budget makes proposal for programmes that will improve the lives of our people in the context of our new emerging status. It will definitely require some sacrifices and the support of members of this august house and all Ghanaians but surely it will deliver the better Ghana that we promised.
236. Mr. Speaker, in conclusion, I wish to state that today is significant in many respects. Whiles I am here presenting my second budget since my assumption in office as Finance Minister, the Black Stars are in Egypt to meet the Pharaohs and we know they will make the nation proud in qualifying for the World Cup. We are profoundly proud of the Stars. While wishing them the best of luck in the game on behalf of H.E the President and all Ghanainas, I assure them that their winning bonus will be paid immediately they come back.
237. Mr. Speaker, I beg to move.