



REPUBLIC OF GHANA

THE BUDGET HIGHLIGHTS

of the

BUDGET STATEMENT AND ECONOMIC POLICY

of the

GOVERNMENT OF GHANA

for the

2015 FINANCIAL YEAR

presented to

PARLIAMENT

on

WEDNESDAY, 19TH NOVEMBER 2014

By

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Minister for Finance

on the Authority of

HIS EXCELLENCY

PRESIDENT JOHN DRAMANI MAHAMA

1. **THEME OF THE 2015 BUDGET: “Transformational Agenda: Securing the bright medium term prospects of the Economy”**

2. The transformational agenda is premised on Inclusive Growth, Value Addition and Diversification

MACROECONOMIC PERFORMANCE FOR 2014

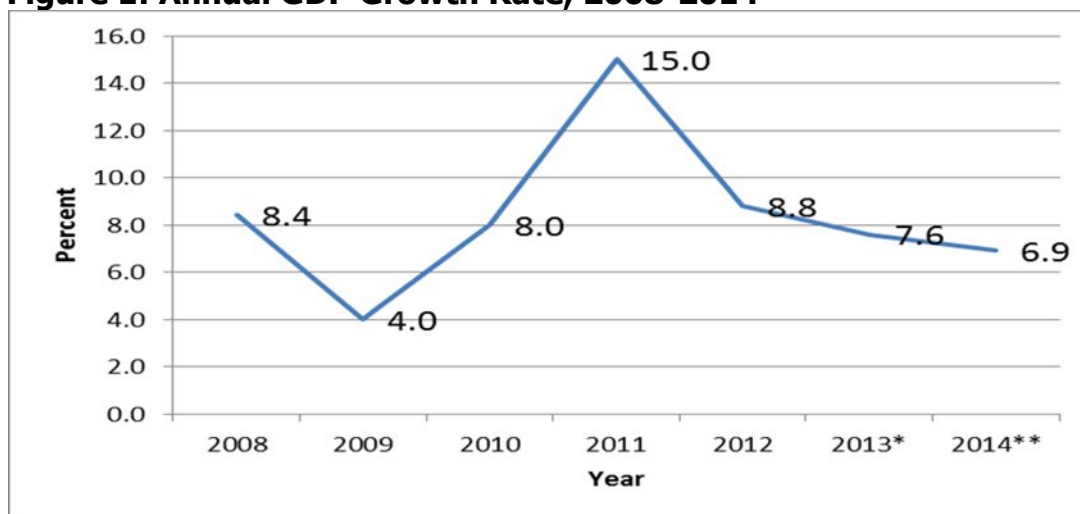
Real Sector

3. Provisional real GDP growth in 2014 is 6.9 per cent, down from the revised target of 7.1 percent. This compares with an outturn of 7.6 percent in 2013.

4. Provisional 2014 real GDP amounts to GH¢34,906.80 million. This is slightly higher than the 2014 projected real GDP of GH¢34,809.30 million and compares favorably with the 2013 real GDP outturn of GH¢32,644.1 million.

5. The 2014 provisional records shows positive growth rates in all subs-sectors.

Figure 1: Annual GDP Growth Rate, 2008-2014



Source: Ghana Statistical Service

*Revised

**Provisional

Sectoral Performance

6. Agriculture Sector has continued its increasing trend, growing at 5.3 percent in 2014 compared with 5.2 per cent in 2013 and 2.3 percent in 2012.

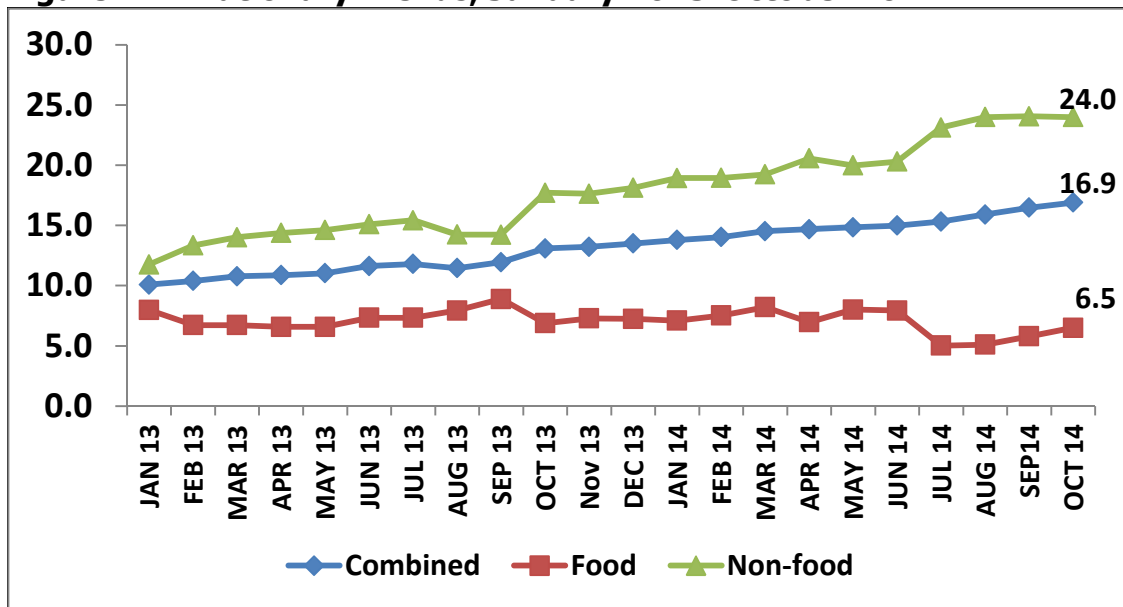
7. Industry Sector recorded a growth of 4.6 per cent in 2014, down from 7.3 per cent in 2013.

8. The Services Sector recorded its lowest growth rate since 2007 by registering a 4.6 percent growth, down from 9.6 percent in 2013.
9. Factors accounting for the slower than expected pace of growth include:
 - Energy supply shortfalls;
 - Deteriorating commodity prices, particularly gold and cocoa;
 - Low productivity;
 - Inadequate access to credit and markets; and
 - The effects of the depreciating cedi on the importation of intermediate commodities and its impact on manufacturing sector.

Inflation

10. Inflation rose to 16.9 percent in October 2014, from 13.1 percent and 13.5 percent at end-October and end-December 2013, respectively as shown in Figure 2.

Figure 2: Inflationary Trends, January 2013-October 2014



Source: Ghana Statistical Service

11. The rise in inflation pressures in 2014 reflected the sharp depreciation of the local currency as well as the pass through effects of fuel and utility price adjustments.

Monetary Sector Developments

12. **Broad Money Supply (M2+)** grew at 33.6 percent year-on-year in September 2014 compared with 17.4 percent and 19.1 percent at the end of September and December 2013 respectively.
13. **Credit to the Private Sector** grew by 26.6 percent (in real terms) in September 2014 compared with 13.1 percent in September 2013.
14. **Interest Rates:** The Monetary Policy Rate was maintained at 19.0 percent in September 2014 and reviewed to 21.0 percent in November, 2014.
15. Interest rates generally trended up on the money market between December 2013 and September 2014:
 - The rate on the 91-day T-Bill Rate increased to 25.5 percent from 19.2 percent.
 - The 182-day Bill increased to 26.4 percent from 18.7 percent.

Foreign Exchange Market:

16. The Ghana Cedi weakened in the first eight months of the year in the face of demand pressures from official sources, largely for oil imports, amid inadequate foreign exchange supply on the market. The Ghana Cedi, however, strengthened in September, recovering about 19.0 percent of its value.

External Sector Developments

17. The provisional trade balance for the period January to September 2014 recorded a deficit of US\$681.3million, compared with US\$3,848.3 million recorded at end-September 2013.
18. Gross international reserves amounted to US\$5,679.1 million as at end-September 2014, sufficient to provide 3.3 months of imports cover, compared with US\$5,632.2 million at end-December, 2013.

Fiscal Sector Developments for 2014

19. Fiscal Deficit (on cash basis), was GH¢6,768.30 million (5.9 percent of GDP) at end-September 2014, against a 3 quarter target of GH¢7,363.8 million (6.4 percent of GDP), and an annual revised target of GH¢10,128.10 million (8.8 percent of GDP) for 2014.

- i. Net Domestic Financing of the deficit amounted to GH¢2,012.20 million (29.73 percent), against a target of GH¢2,672.80 million (37.30 percent) for September 2014.
- ii. Foreign Financing of the deficit was GH¢4,756.1 million (70.27 percent), against a target of GH¢4,690.9 million (63.70 percent) as shown in Table 1.

Table 1: Summary of Central Government Financing For 2014

Description	2013 (Jan-Sept) Actual Outturn		2014 Revised Budget Estimate		2014 (Jan-Sept) Estimate		2014 (Jan-Sept) Provisional Outturn		% Dev.	2014 Projected Outturn		% Change over Revised Budget Estimate
	Amt. (GH¢' M)	% of GDP	Amt. (GH¢' M)	% of GDP	Amt. (GH¢' M)	% of GDP	Amt. (GH¢' M)	% of GDP		Amt. (GH¢' M)	% of GDP	
	a	b	c	d	e	f	g	h	$\frac{(g/e)-1}{1} \times 100$	j	k	$\frac{(j/c)-1}{1} \times 100$
Total Revenue and Grants	13,977.6	15.0	26,230.3	22.9	18,414.1	16.0	17,670.2	15.4	-4.0	24,739.2	21.6	-5.7
Total Expenditure and Arrears Clearance	21,504.6	23.0	36,358.3	31.7	25,777.9	22.5	24,438.6	21.3	-5.2	35,669.2	31.1	-1.9
Overall Fiscal Balance	-7,527.0	-8.1	-10,128.1	-8.8	-7,363.8	-6.4	-6,768.3	-5.9	-8.1	-10,930.1	-9.5	7.9
Total Financing	7,527.0	8.1	10,128.1	8.8	7,363.8	6.4	6,768.3	5.9	-8.1	10,930.1	9.5	7.9
o/w Domestic Financing	4,419.5	4.7	4,191.8	3.7	2,672.8	2.3	2,012.2	1.8	-24.7	5,737.5	5.0	36.9

Source: Ministry of Finance

Petroleum Receipts

20. Crude oil production from the Jubilee fields averaged 28,017,990 barrels or 102,630 of oil per day (bopd) at end September 2014. This compared to 27,060,737 barrels for the corresponding period in 2013.
21. Crude oil production from the Saltpond field was 60,728 net barrels at end September 2014, compared to 78,376 net barrels for the corresponding period in 2013.
- iii. Volume of liftings by GNPC totaled 4,824,715 barrels at the end of September 2014 down from 4,977,922 barrels at September 2013.
- iv. Total petroleum receipts at the end September 2014 was US\$780.07 million (GH¢1,358.18 million) of which corporate income tax was US\$263.89 million.

Distribution of 2014 Petroleum Receipts

22. The 2014 petroleum receipts were allocated based on the provisions of the PRMA. Of the total revenue of US\$780.07 million, US\$136.93 million was allocated to GNPC as its share of the Equity Financing Cost (US\$36.38 million) and Net Carried and Participating Interest (US\$100.54 million).

23. The total ABFA amounted to US\$306.80 million (GH¢888.6 million) between January and September 2014.
24. A total of US\$336.34 million was transferred into the Ghana Petroleum Fund out of which US\$100.90 million was transferred to the Ghana Heritage Fund, and the remaining US\$235.43 million transferred to the Ghana Stabilization Fund.

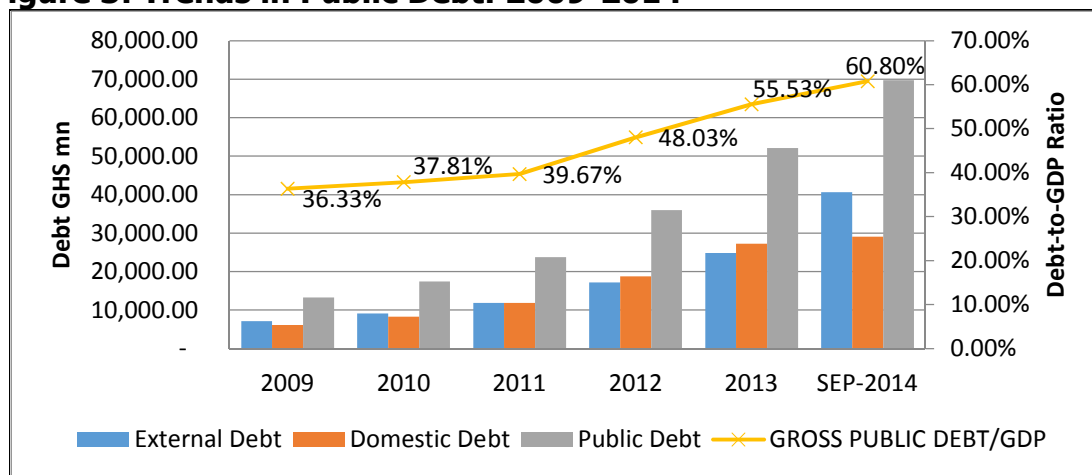
Utilization of the 2014 Annual Budget Funding Amount

25. Out of the total ABFA amount of GH¢888.6 million received at the end of September 2014, GH¢270.51 million (30.44 percent) was disbursed to the four priority areas as follows:
 - GH¢260.66 million (96.36 percent) to Road and other Infrastructure;
 - GH¢0.0 (0.0 percent) to Capacity Building;
 - GH¢0.0(0.0 percent) to Amortization of Loans for Oil and Gas Infrastructure; and
 - GH¢9.85million (3.64 percent) to Agriculture Modernization.

Public Debt

26. The stock of public debt (including Government guaranteed debt) stood at GH¢ 69,705.9 million (60.8 percent of GDP) at the end of September 2014 compared with GH¢52,125.91 million at the end of December, 2013 (55.5 percent of GDP).
27. External debt amounted to GH¢40,644.15 million (35.47 percent of GDP) at end-September 2014.
28. Domestic debt totaled GH¢29,041.75 million (25.33 percent of GDP) at end-September 2014.

Figure 3: Trends in Public Debt: 2009-2014



MACROECONOMIC FRAMEWORK FOR THE MEDIUM TERM AND 2015

29. The specific macroeconomic targets for the medium term (2015-2017) include the following:
- An average real GDP (including oil) growth rate of at least 6.8 percent;
 - An average non-oil real GDP growth rate of at least 4.4 percent;
 - An inflation target of 8 percent with a band of ± 2 percent;
 - An overall Budget Deficit of 3.5 percent by 2017; and
 - Gross International Reserves which will cover not less than 4 months of imports of goods and services by 2017.
30. The specific macroeconomic targets for 2015 are as follows:
- Overall real GDP (including oil) growth of 3.9 percent;
 - non-oil real GDP growth of 2.7 percent;
 - end year inflation target of 11.5 percent;
 - Overall budget deficit equivalent to 6.5 percent of GDP; and
 - Gross international reserves of not less than 3 months of import cover of goods and services.

Table 2: Summary of Central Government Finance for 2015

Description	Amount (GH¢ million)	Percent of GDP
Total Revenue and Grants	32,406.2	24.0
Total Expenditure and Arrears Clearance	41,222.0	30.5
Overall Fiscal Balance	-8,815.9	-6.5
Total Financing	8,815.9	6.5

Source: Ministry of Finance

31. Fiscal policy will be driven mainly by new tax policy measures, revenue administration reforms, improved public financial management, expenditure rationalization, and the implementation of new debt management strategies.
32. Specifically, revenue generation measures will include:
- Imposition of Special Petroleum Tax of 17.5 percent;
 - Extension of the National Fiscal Stabilisation Levy of 5 percent and special import levy of 1-2 percent to 2017;
 - VAT on Fee-based financial services;
 - A 5 percent flat VAT rate on real estates; and

- Increase the withholding tax on Director’s remuneration from 10 percent to 20 percent.
33. Some of the expenditure rationalization measures to be vigorously pursued are:
- Continuation of net freeze policy on employment (excluding education and health) and non-replacement of departing public sector employees in overstuffed areas;
 - Full implementation of the Electronic Salary Payment Voucher (ESPV) System; and
 - Strict implementation of the existing price adjustment mechanisms for utility tariffs and fuel prices.
34. Below are summary tables for projected Revenue and Expenditure for 2015

Table 3: Summary Revenue and Grants Estimates for 2015

Description	Including oil			Excluding oil		
	Amount (GHc million)	Percent of GDP	Percent of Total Revenue and Grants	Amount (GHc million)	Percent of GDP	Percent of Total Revenue and Grants
Total Revenue and Grants	32,406.2	24.0	100.0	28,202.5	22.9	100.0
Domestic Revenue	30,855.4	22.9	95.2	26,651.7	21.7	94.5
Tax Revenue	25,406.0	18.8	78.4	23,124.1	18.8	82.0
Taxes on Income and Property	11,228.6	8.3	34.6	8,946.6	7.3	31.7
Taxes on Domestic Goods and Services	9,471.7	7.0	29.2	9,471.7	7.7	33.6
International Trade Taxes	4,705.7	3.5	14.5	4,705.7	3.8	16.7
Non-Tax Revenue	5,266.8	3.9	16.3	3,345.1	2.7	11.9
Others	182.6	0.1	0.6	182.6	0.1	0.6
Grants	1,550.8	1.1	4.8	1,550.8	1.3	5.5

Source: Ministry of Finance

Table 4: Expenditure Estimates for 2015

Description	Including oil			Excluding oil		
	Amount (GH¢ million)	Percent of GDP	Percent of Total Expenditure and Arrears Clearance	Amount (GH¢ million)	Percent of GDP	Percent of Total Expenditure and Arrears Clearance
Total Expenditure and Arrears Clearance	41,222.0	30.5	100.0	38,050.2	30.9	100.0
Total Expenditure	39,152.6	29.0	95.0	36,303.0	29.5	95.4
Compensation of Employees	12,312.9	9.1	29.9	12,312.9	10.0	32.4
Use of Goods and Services	1,970.0	1.5	4.8	1,233.8	1.0	3.2
Interest Payments	9,577.2	7.1	23.2	9,557.2	7.8	25.1
Subsidies	50.0	0.0	0.1	50.0	0.0	0.1
Grants to Other Government Units	7,408.6	5.5	18.0	6,710.9	5.5	17.6
Capital Expenditure	6,956.8	5.2	16.9	5,561.2	4.5	14.6
Others	877.1	0.6	2.1	877.1	0.7	2.3
Arrears Clearance and Tax Refunds	2,069.5	1.5	5.0	1,747.2	1.4	4.6

Source: Ministry of Finance

POLICY INITIATIVES FOR 2015

35. Government policy measures for 2015 will cover Tax Policy, Structural measures, Debt/Equity Management Strategy, Export-Led Development Strategy, Community day SHS and progressively free SHS as part of its transformational agenda.

TAX POLICY INITIATIVES

36. Review the Sliding Scale Excise Duty Policy on alcoholic beverages to ensure greater efficiency.
37. Increase the excise duty rate from 150 percent to 175 percent to reduce the consumption of tobacco products and its associated health problems.
38. The National Health Insurance Act will be amended to conform to the new provisions under the VAT Act 2013, (Act 870).
39. Government will abolish the use of the VAT Relief Purchase Order (VRPO) in granting of tax reliefs.
40. Tax exemptions granted under loan agreements will be reviewed to reduce the scope of exemption and the use of special permit.

41. The upfront exemptions will be replaced by Tax Credit System.

Support to Local Industries

42. VAT on locally produced pharmaceuticals and some of the raw materials used for the production of these pharmaceuticals will be removed.
43. Government will also remove import duty and VAT on inputs for the production of machetes and the production of exercise and text books.

STRUCTURAL MEASURES

44. In the medium term government will propose measures to realign expenditures under the statutory funds hitherto being catered for under the Consolidated Fund.
45. As a transitional measure expenditure of the MDAs will be assigned to their respective statutory funds with the view to removing the rigidities in the budget and restoring balance in favor of capital expenditure.
46. Funding requirements of some self-financing projects will be moved from their respective MDAs and funded under the Ghana Investment Infrastructure Fund.
47. Government to introduce Pre-Budget Statement to Parliament to provide the broad framework and parameters which will inform the budget and also signal government policy.

New Debt and Equity Management Strategy

48. Government's debt management strategy will continue to focus on providing a more cost-effective access to the international and domestic capital markets to meet its development needs. Key initiatives to consolidate sustainability and efficiency in debt management are indicated as follows.
 - Operationalize the Sinking Fund to manage the orderly redemption of Sovereign Bonds and other debt instruments, pursuant to sections 88-93 of the Financial Administration Regulations (2004) L.I. 1802. Under the Sinking Fund, Government will set aside funds (in excess of the cap on the stabilization fund) to liquidate maturing debt.
 - Continue with the on-lending and escrow arrangements to minimize the impact of loans on the public debt portfolio.

- Continue to finance the capital expenditure component of the annual budget primarily from long-term debt issuance.
- Widen the scope of financing opportunities through the issuance of the 7-10 year domestic bonds and regularly publish the issuance calendar.
- Initiate a municipal bonds programme to support credit-worthy MMDAs to access the domestic capital market to finance commercially viable projects.
- Government will establish the Ghana EXIM Bank to lead in the strategic positioning of the county as an export led economy and also take advantage of key international initiatives.

Economic Diversification

49. Government will pursue an International Monetary Fund (IMF) programme that will provide technical assistance and Balance of Payments support for the next three years. In the medium-term, Government will pursue the following measures to address the external sector imbalances:
- Embark on an export-led development strategy to boost foreign exchange earnings; and
 - Enhance domestic production to reduce import of rice, fish, poultry and tomatoes product by revamping the broiler programme and fish production.
50. Government will fully commission the gas processing facilities to supply up to 150million standard cubic feet of lean gas per day to bring gas on stream for better power generation flexibility and make savings on crude oil import.

Sanitation and Waste Management

51. Government will over the medium term encourage MMDAs to partner the private sector to deliver compost and recycling plants in some selected regions of the country.

Community Day and Progressively Free SHS

52. Government will progressively absorb GES-approved examination, library, entertainment, SRC, science development, sports, culture, and internet fees charged to secondary level students in the effort to make SHS free.

Social Protection

53. Government will in 2015 continue to expand the existing targeted social protection programmes including, NHIS, LEAP and the School Feeding Programmes to reach more beneficiaries. The Ghana National Household Registry (GNHR) under the Ministry of Gender, Children and Social Protection will serve a pivotal role in the identification of beneficiaries.

2014 SECTORAL PERFORMANCE AND OUTLOOK FOR 2015

MINISTRY OF FOOD AND AGRICULTURE

54. The Ministry facilitated the establishment of 89 AMSECs, consisting of tractors and implements, maize shellers and water pumps, in 62 MMDAs to improve access to mechanised agriculture services, resulting in the cultivation of about 107,000ha of maize, rice and soya beans by 267,500 small holder farmers. In 2015, 41 more AMSECs will be established.
55. The Ministry facilitated the production of 18 million doses of ND1-2 vaccines for the control of disease in poultry. This increased the population of poultry (including guinea fowls) from 63,732,000 to 67,961,000 in 2014. A further production of 32million doses of ND1-2 vaccines will be undertaken to increase the poultry population by 8 percent in 2015.
56. Government through COCOBOD continued the Cocoa Hi-Tech Fertilizer Application and the Cocoa Disease and Pests Control (CODAPEC) programme in the 2013/2014 cocoa season. The programme will continue during the 2014/15 cocoa season.

MINISTRY OF ENERGY AND PETROLEUM

57. One unit (110MW) of the Kpone Thermal Power Plant expected to commence by end year with commercial operations for the entire 220MW starting by first quarter 2015.
58. Work on the 110MW TICO expansion which is 90 percent complete is expected to be completed by end year.
59. In 2015, an additional 770MW from thermal sources and 33.5MW from renewable energy sources will be installed.
60. GRIDCO through its Substations Reliability Enhancement Project (SREP) undertook some projects which are at various stages of completion. The

Sunyani-Mim 161kV line upgrade and the Kumasi 2nd Bulk Supply Point (BSP) are completed. Work on the Tumu-Han-Wa 161kV line is 80 percent complete, the Prestea-Bogosu 161kV line is 90 percent complete whilst the Kpando-Kadjebi 161kV line is 35 percent complete.

61. In 2015 the Ministry will facilitate the completion and commissioning of the Kpando-Kadjebi and Kpone power evacuation lines. Enhance the transmission system by the construction the 225kV Bolgatanga-Ouagadougou line, 330 kV Kumasi-Bolgatanga line and Construction of the Kumasi-Prestea 330kV line.
62. ECG undertook system loss and network improvement project in Accra West and Teshie, upgraded 8 primary sub-stations and migrated 2,100 out of 2,555 MDAs to the prepayment metering system; whilst 3 new Bulk Supply Points (BSPs) and 11 new primary sub-stations are under construction. This is to improve supply reliability, reduce losses and improve operational reliability.
63. In 2015, three (3) new BSPs and 11 primary sub-stations will be constructed and some existing sub-stations upgraded.

MINISTRY OF WATER RESOURCES, WORKS AND HOUSING

64. The Ministry facilitated the completion of a number of projects whilst others are at various level of completion as follows:
 - The Mampong Water Supply Project, the 1.5MGD Five Towns (Kibi, Osenase, Apedwa, Anyinam and Kwabeng) project and the 3.16MGD Essakyir Water Supply Project are completed;
 - The 1.63MGD Nsawam Water Supply Expansion Project is expected to be completed by the end of the year;
 - The 40MGD Kpong Water Supply Expansion is 94 percent complete;
 - The 9.24MGD ATMA Rural Water Supply Rehabilitation & Expansion Project is 98 percent complete;
 - The 8.47MGD Kumawu, Kwahu Ridge, Konongo Water Supply Project is 60 percent complete; and
 - The rehabilitation and expansion works of the Wa Water Supply Project and the Akim Oda, Akwatia, Winneba Water Supply Project are on-going.
65. Government will initiate actions on Cape Coast, Sekondi-Takoradi, Upper East Regional, and Sunyani Water Supply Expansion Project, Essiama Enclave Water Supply Project, Rehabilitation and Expansion of 10 Water Systems in Obuasi, Acherensua, Yendi, Agordome, Sogakope, Dwomo, Winneba, Begoro, Akwatia, Berekum and Dormaa Ahenkro in 2015.

66. Government also facilitated the provision of potable water to rural communities through the implementation of the following;
- 782 boreholes out of the 1,200 target in Central, Western, Brong Ahafo, Northern, Upper East and Upper West Regions; and
 - 250 institutional latrines out of the 450 target were completed.
67. 168 Housing units of 2 and 3 bedrooms for the Security Services were completed in Sakumono. The construction of 5,000 housing units at Saglemi-Ningo Prampram and the completion of 4,700 affordable housing units in a number of Regions are on-going and will continue in 2015.
68. 618 housing units out of a target of 836 under the Keta Sea Defence Resettlement Programme were completed.

MINISTRY OF ROADS AND HIGHWAYS

69. The Ministry continued the rehabilitation, reconstruction and construction of roads and bridges. A total of 50.2km, 286km and 10km of development works on targeted trunk, feeder and urban road networks respectively were completed during the year. Other projects which have achieved significant progress include:
- Kasoa By-pass – 37 percent;
 - Kwame Nkrumah Interchange – 62 percent;
 - Polo Grounds By-pass – 92 percent; and
 - Ayamfuri-Asawinso - 36 percent.
70. The Tetteh Quarshie-Madina, Asankragwa-Enchi, Fufulso-Sawla, Dodi-Pepesu Nkwanta, Agona Junction-Elubo, Burma Camp, Giffard and Sunyani Roads (in Kumasi) will be completed in 2015.
71. The Ministry undertook routine maintenance on 13,459km trunk, 7,269km feeder and 3,096km urban road networks. Re-gravelling, spot improvement and resealing works were carried out on 76km, 776km and 645km trunk, feeder and urban road networks respectively.
72. In 2015, the Ministry will undertake routine maintenance on 11,199km, 22,500km and 8,200km of trunk, feeder and urban road networks respectively.

MINISTRY OF EDUCATION

73. 24,117 children in Northern, Upper East, Upper West and Brong Ahafo regions were enrolled in basic schools under the Complementary Basic Education (CBE) Programme.
74. Government provided a total of 155 schools with some school infrastructure under the "Elimination of Schools under Tree Programme". It will continue to gradually eliminate more schools under trees with emphasis on on-going projects in 2015.
75. 2014 witnessed significant increases in enrolment of teacher trainees in Colleges of Education from 9,000 to 15,400 as a result the policy to replace allowances with the option to apply for students' loan.
76. Government will in 2015 continue to support the training of more teachers by expanding educational facilities with the view of meeting the target of 95 percent of trained teachers at the Basic level in the medium term.
77. Government began the construction of 50 Senior High Schools in selected districts across the country to make good the promise of constructing 200 Community Day Schools. In 2015, an additional 50 Schools will be constructed and 125 existing schools supported with improved educational facilities.
78. 10,000 Junior High School Girls from 21 deprived districts were provided with scholarships in 2013/14 academic year under the Participatory Approach to Student Success (PASS) Programme improving gender parity at the pre-tertiary level.
79. 35,000 learners were enrolled into the 18 months functional literacy programme. In 2015, the current cohort of 35,000 learners will be supported to complete the cycle.
80. Enrolment in special schools increased from 6,180 in 2013 to 6,385. The construction of the National Assessment Centre is about 90 percent complete. In 2015, the Ministry work at completing the Centre and increase enrolment target to 8,100.