

2014 Budget Highlights

November 2013

“Rising to the Challenge:
Re-aligning the Budget
to meet Key National Priorities”



“Rising to the Challenge: Realigning the budget to meet key national priorities” – is the theme for the Government’s 2014 Budget and Statement of Economic Policy. The Minister for Finance and Economic Planning noted that the adoption of this theme is to ensure progress against the following goals:

- Enhance the resilience of the economy against risks;
- Promote accelerated growth and development; and
- Create jobs.

This year’s theme is set against the backdrop that none of the key 2013 macro-economic targets are going to be realised! The theme for the 2014 Budget is an admission that, as currently structured, the national budget will fail to adequately deliver on the Government’s “Better Ghana Agenda”, if it is business as usual. The Minister stated *“...public sector compensation should not put further stress on the fiscal envelop. The Budget must leave room for infrastructure development and other priority programmes”*. It is not difficult to figure out what Government’s key budget pain is in the short-term. The fact that public sector pay is estimated at approximately 70% of national revenue says it all.

However, will the realignment deliver on the long-term strategic objectives of the country? At PwC, we hope that this question is central to the debate on the budget. What do we propose should be done?

First, we urge that every key stakeholder – especially the Executive, Parliament and Social Partners— consider how best to effectively implement the policies outlined in the budget to achieve the outcomes as related to the four pillars of the Ghana Shared Growth Development Agenda (GSGDA).

The four pillars of the GSGDA comprises:

- Putting people first—focus around access and quality of healthcare and education, jobs, productivity and the vulnerable;
- A strong and resilient economy - macro-economic stability, private sector competitiveness, trade and industry , agricultural modernisation and natural resource management;
- Strategic infrastructure expansion—oil and gas, roads, ports and development zones; and
- Transparent, decentralised and accountable governance—corruption, decentralisation and citizen service.

In building consensus, all stakeholders should closely examine the announced realignments or adjustments in the 2014 budget to determine if they will be effective in directing the country’s limited resources and energies towards realising (or setting us on a journey to realise) these four pillars.

Focusing on effective implementation, stakeholders could consider the following:

- What are the realistic time frames within which the outlined programmes can be implemented?
- How should they be structured?
- How should they be sequenced to optimise their interdependencies?
- How should they be tracked and monitored?
- What will indicate success or otherwise to inform change/enhancement in implementation strategy?

There are many more questions to be asked and debated to provide clarity to these pillars that we have selected to propel us towards long-term prosperity.

The Minister mentioned the following initiatives aimed at maximising revenue and controlling expenditure:

- A gradual shift to the automatic price adjustment mechanism for petroleum and utility prices;
- Review of the Petroleum Revenue Management Act 2011, to enable allowable expenditures to be aligned to national priority infrastructure programmes;
- Further interventions to manage Public Sector compensation;
- Restrictions on new borrowing;
- A restructuring of debt through refinancing to improve tenure and burden of repayment;
- Clearance of outstanding commitments on counterpart funds to enable completion of pipeline projects and limits on new contract awards;
- Implementation of Programme Based Budgeting; and
- Taxation—new taxes, increases in existing tax rates and some exceptions too.

The main goal is to rein in the fiscal deficit, which is at 8.5% of GDP at the end of September 2013. Successful achievement of this goal will depend on :

- These tools being the right ones; and
- The implementation resolve of Government.

The initiatives/tools announced in the 2014 budget, without doubt have been thoroughly considered and evaluated. What often has been our challenge as a country has been our implementation discipline. Sometimes too this is because we stretch our capacity too thinly in an attempt to deliver on multiple fronts.

In summary, we offer our own views and suggestions on the 2014 budgets, focusing on what we consider to be potentially big impact areas, in the short and long-terms. These are not new ideas—Government has already presented its policies and initiatives in these areas. We, however see a need for Government to put in place structures that will facilitate effective implementation and monitoring to achieve the desired outcomes in a timely manner. We suggest the following:

Public sector pay—as currently being implemented, the Single Spine Salary Structure (SSSS) poses a significant risk to the country's economic stability, as it contributes to the high fiscal deficit -to-GDP levels. Probably, not the same case, but Greece offers us a rather chilling example of what could happen to a country that does not spend within its means. Initiatives to implement include: clean-up of the public sector payroll; implementation of effective performance management and performance-based pay systems that together ensure that the public sector retains and rewards high performers for optimal yield on tax payers' contributions, implementation of a training system that better guarantees improved public sector productivity.

Power—quality of supply, access and affordability are all issues to consider, given that power simply cannot remain a public good. Government lacks the resources to provide electricity at less than cost recovery tariffs. Private capital is needed, but requires cost-plus rewards. If businesses will thrive, power is necessary. Government should implement a long-term strategy that addresses in acceptable sequence the questions of affordability, access and quality, leveraging PPPs. The question of electricity is intricately linked with the discussion of gas and related infrastructure.

Infrastructure—roads and ports, in particular are important to open up any economy. Urban and rural infrastructure, especially roads, differ widely in nature, cost and purposes. For example, are we concerned about improving urban mobility or improving all-year round access to farmlands?

It is important that, as a country, we determine what we need at this stage of our socio-economic development and communicate our priorities to private sector investors through the mix of policies and incentives we put out. Such understanding should help to inform the economics we should take into consideration with regard to the different infrastructure projects. In summary, Government must be a lot more focused on how it is implementing its infrastructure programme to optimise benefits.

Agriculture, industry and trade—initiatives must be planned to have long-term achievement focus. Agricultural modernisation should be comprehensive, not sporadic. There should be forward-integration with export-led manufacturing initiatives. Over time, this should lead to high agricultural productivity, a stronger private sector, more jobs with better pay, domestic capital formation, and a stronger currency.

The above noted enablers coupled with effective project and programme management is necessary for success. Value for money also needs to be one of the priority criteria for measuring success and should be mainstreamed into procurement processes and implementation reviews.

As we move to entrench, our middle income status, we expect the private sector to take on a more active role in various economic activities. In this regard, we note that the setting up of the Ghana Infrastructure Fund and other pro business activities are in the right direction. Unfortunately the Budget is silent on the enhancement of the case for 'Ease of Doing Business'. This could be facilitated by the enactment of the new Companies Code and other relevant business environment laws.

In conclusion, we urge the august House of Parliament to adopt a non-partisan approach in its debate of the budget, a budget whose effective implementation will consolidate our middle income status.



Felix Addo
Country Senior Partner
PwC Ghana

2014 Budget Highlights

Overall Summary



THE ECONOMY

The 2013 Budget was based on the Ghana Shared Growth and Development Agenda (GSGDA: 2010-13) which lapses this year. There is a successor plan for the next term (GSGDA II: 2014-17) which is being finalised and will incorporate the medium-term vision and strategy for the country. In the 2013 Budget, one of the primary objectives of Government was to deal with the high budget deficit caused by overruns stemming from five main areas; shortfalls from corporate income taxes from the petroleum sector, subsidies on petroleum products and utilities, significant delays in inflows from Development Partners, a significant wage and salary bill and finally, increases in interest payments on Government debt. Essentially, 2013 was a challenging year for the economy as the nation would fail to meet its targets highlighted below:

Description	Actual* 2013	Target 2013
Real GDP Growth (non-oil)	5.8%	6.5%
Overall real GDP (including Oil) Growth	7.4%	8.0%
End of period inflation	11.9%	9.0%
Fiscal balance deficit	8.4%	7.2%**
Gross international reserves	Not less than 2.9 months of import cover	Not less than 3 months of import cover

Source: MoFEP Budget Statement 2014
* Provisional estimates, Sept. 2013
** September 2013 Target

However, both the Industry and Services sectors appear to be on track to exceed their sectoral targets, the exception being the Agricultural Sector.

Sectorial Performance for 2013			
Sector	Growth Rate Target %	Outturn % **	% of GDP
Agriculture	4.9%	3.4%	21.3%
Industry	8.7 %	9.1%	28.1 %
Services	8.5%	9.2%	50.6%

Source: MoFEP Budget Statement 2014
* Provisional estimates, Sept. 2013
** September 2013 Target

Economic Objectives and Policies for 2014 and the Medium Term

As the nation seeks to 'Rise to the Challenge: Re-aligning the budget to meet key national priorities', the strategy remains the same as for the prior year:

- Putting people first;
- Building a strong and resilient economy;
- Expanding infrastructure and
- Ensuring transparent and accountable governance.

Medium Term Targets for 2014–2016

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 the socio-economic transformation of the country, in partnership with the private sector. Targets for the period 2014–2016 are as follows:

- non-oil real GDP growth of at least 8%;
- overall real GDP (including oil) growth of 8%;
- an inflation target of 9% within the band of $\pm 2\%$;
- overall budget deficit of 6% of GDP by 2016; and
- Gross international reserves of not less than 4 months of import cover of goods and services by 2016.

The specific macro economic targets for 2014 are also set out below:

Description	Target 2014
Real GDP (excluding oil)	7.4%
Real GDP (including oil)	8%
12 month CPI inflation (average) with a band of ($\pm 2\%$)	9.5%
Gross international reserves	Reserves not less than 3 months of imports of goods and services
Overall budget deficit	8.5%

Source: MoFEP Budget Statement 2014
* Provisional estimates, Sept. 2013
** September 2013 Target

Debt Sustainability Analysis

Total Public Debt amounted to US\$23.5 billion as at September 2013 compared to US\$19.2 billion for the same period in 2012. The total public debt to GDP ratio increased significantly from 49.3% in 2012 to 52.0% in 2013.

The significant increases in public debt resulted from the following:

- Disbursement of US\$750 million from the Eurobond proceeds;
- Drawings of US\$383.5million from the China Development Bank; and
- Issuance of 7-year domestic bonds.

In September 2013, external debt constituted 45.9% (2012 – 47.8%) and Domestic debt constituted 54.1% (2012–52.2%) of total public debt. According to the 2013 Debt Sustainability Analysis (DSA) conducted by the IMF and the World Bank, Ghana's risk of debt distress has risen. Per the DSA, the debt service-to-revenue ratio is projected to average about 9.1% of GDP between 2013-2018.

Government's debt management strategy seeks to achieve a cost-efficient access to external and domestic debt for efficient debt management.

This will be executed via the following:

- Liquidity Management;
- Revenue Generation from Self Financing Projects
- On-Lending and Escrow Account arrangements with MDAs/MMDAs;
- Financing Capital Expenditures with long-term Debt ;
- Loans-to-Priority Projects Programme; and
- Long-term financing from the external capital markets.

Petroleum Revenues Outlook for 2014

Government expects to generate a total of US\$777million in gross revenue from petroleum receipts in 2014 which is about 34% higher than the budget for 2013. Government projects to allocate about US\$175million to the Ghana Petroleum Fund (GPF) in 2014 which represents 30% of the total benchmark revenue (that is after accounting for transfers to Ghana National Petroleum Corporation). The remaining 70% will be allocated to the Annual Budget Funding Amount (ABFA).

Taxation

The tax proposals in the budget reflect Government's intention to improve internal revenue mobilisation through tax effectiveness and efficiency by way of tax modernisation programmes to be undertaken by the Ghana Revenue Authority (GRA) to ensure the recovery of uncollected taxes. Some of the key proposals and initiatives in this regard are as follows:

Direct Taxes

- Increasing the withholding tax rate on commercial rent from 8% to 15%;
- Undertaking transfer pricing audits to reduce transfer pricing abuse;
- Increasing the withholding tax rate on management and technical service fees from 15% to 20%;
- Expanding the scope of capital gains tax to cover petroleum operations; and
- Reintroducing the Windfall Tax Bill to be passed by Parliament.
- Government also plans to have an early termination of the:
 - National Fiscal stabilisation levy (June 2014 as opposed to December 2014)
 - Special Import Levy (end December 2014 as opposed to June 2015)
 - Special Import Levy on agriculture and fishing inputs (immediately)

Indirect Taxes

- 2.5% increase in VAT rate to be allocated to the Infrastructure Fund;
- Introduction of special Electronic Point of Sale Device Scheme (EPOS) to reduce VAT leakages;
- Introducing Special Import Levy (SIL) exemption for agriculture and fishing inputs, medical supplies, educational materials, and energy saving bulbs;
- Providing import duty and VAT waiver/exemption for raw materials imported for local printing of textbooks and exercise books and for local production of HIV/AIDS drugs;
- Introduction of tax stamps on selected excisable products; and
- Change the basis of petroleum excise duty from specific to ad valorem; and
- Increase in the road fund levy.

Tax Administration

- Harmonisation and simplification of the existing tax laws into a single Tax Administration Bill;
- Review of existing exemptions granted in duties and other taxes;
- Customs Division of the GRA to improve its coverage under the Valuation Assurance Programme with the ultimate aim of acquiring its own valuation model;
- Automation and improvement in the operational processes of the GRA; and
- Establishment of Free Income Tax Assessment Bureau to assist traders (and other small businesses which are not limited liability companies) with basic record keeping assistance.

SECTORAL OUTLOOK

Highlights of key sectoral programmes and activities outlined in the 2014 budget to re-align the budget to meet key national priorities are as follows:

Ministry of Food and Agriculture

Key initiatives include:

- Implementation of the Block Farm, Livestock, Poultry and Agri-business initiatives under the Youth in Agriculture Programme;
- Facilitating the expansion of private sector led Agricultural Mechanisation Services Enterprise Centres;
- Construction of modern farmers markets in the Brong Ahafo and Northern Regions to focus on grains and tubers respectively;
- Public Private Partnership arrangements and collaboration to develop Agriculture Estates on the Accra plains and other existing state lands. These private partnerships are also meant to support the rehabilitation of existing irrigation schemes to promote all year round farming; and
- Scaling up the Agricultural insurance scheme to cover more crops, regions and consequently protect farmers against losses.

Ministry of Energy and Petroleum

Government resolves to develop and ensure reliable high quality energy services at a minimum cost to all sectors of the economy. The following initiatives in the two sub sectors are expected to deliver this objective :

Petroleum Sub Sector

- Development of a framework to provide a basis for the construction, operation and maintenance of Liquefied Natural Gas (LNG) facilities to meet anticipated shortfalls; and
- To attain peak oil production of 120,000 barrels of oil per day in the Jubilee Field in the upstream petroleum subsector.

Power Sub Sector

The key target is to increase electricity access from 75% to 80% in 2014 and attain completion of :

- the first phase of the following: 220MW Kpone Thermal Power Plant (KTPP) project, 110MW T2(Tico Expansion) project and the VRA 12MW Solar PV Project in line with Government objective to achieve 5,000 MW generation capacity by 2016 (including 10% from renewable sources);

- the 161KV Tumu-Han-Wa Transmission Project; and on-going projects such as construction of ECG 33/11KV primary sub-station at four stations in Ashanti Region, construction of a new Bulk Supply Point at Tema Smelter II) and the installation of 70,000 split-prepaid meter for ECG.

Ministry of Education

Government intends to increase access to distance learning programs, interactive lessons and open schooling, as well as deployment of personnel to the educational sector and improving affordability by subsidising basic education for JHS, SHS and technical training amongst others.

Ministry of Health

The Ministry hopes to strengthen public financial management and health data collection, improve monitoring and supervision of the digital e-Health Solution Project. The Ministry will also:

- replace equipment in selected health facilities, accelerate the maternal health support programme to improve maternal health,
- scale up membership authentication and the e-claims systems to enhance efficiency and reduce false claims,
- increase health care infrastructure by constructing polyclinics in the various regions of Ghana as well expanding Korle-Bu teaching hospital and lastly bridging equity gaps in access to health care and ensure sustainable financing arrangements to protect the poor.

Ministry of Gender, Children and Social Protection

The Ministry will finalise and disseminate the National Child Protection Policy as well as review and implement the Early Childhood Care and Development Policy. Under the Domestic Violence (DV) and Human Trafficking (HT) programme, the Ministry will set up and operationalise the HT and DV Funds, operationalise rapid response team for HT and DV matters and provide professional psychosocial support for HT and DV victims.

Ministry of Trade and Industry

Initiatives to be undertaken during the year include:

- Management and marketing support for 1,500 horticultural producers in selected towns in the Volta Region;

- Developing skills of 1,000 exporters particularly in the Small and Medium Enterprise (SME) sector to enable them succeed in foreign market;
- Establishment of new market opportunities for exporters especially in the European Market; and
- Setting up of a new SME fund to boost support for the SMEs.

Ministry of Justice and Attorney-General's Department

The Law Reform Commission has produced three draft laws for consideration. These are:

- Criminal Injuries Compensation Law;
- Marriage Registration Law; and
- the Law Reform Act.

The Intestate Succession Bill and Property Rights of Spouses Bill are being reviewed by the Law Reform Commission to correct the anomalies in the current Regulations.

As part of the Legal education programme, the General Legal Council will license 1,750 Lawyers and 300 law firms to aid proper regulation of private legal practice in Ghana.

The Ghana School of Law will also train 40 lawyers in specialised Commonwealth Legislative Drafting to aid the enactment of good laws.

INFRASTRUCTURE

The 2014 budget allocates GH¢1.5 billion to infrastructure. The main areas of infrastructure expansion in the 2014 budget are Water Resources, Works and Housing, Transport, Roads and Highways and Communications. Government intends to pursue Public Private Partnerships to fund some of the infrastructure projects.

Water

Programs to be implemented for the supply of water include developing projects to expand and rehabilitate water treatment plants, transmission pipelines, expansion of water supply systems and intake facilities, improved access to water and sanitation for 600,000 people in 66 districts in selected regions and development of a rain water harvesting strategy as a supplement to water service delivery amongst others.

Housing

The budget will focus on reducing the housing deficit across the country and this will be achieved by creating an enabling environment for private sector participation to deliver affordable housing units, improving mortgage affordability and facilitating the completion of the various affordable housing projects.

Roads and Highways

The proposed initiatives are targeted towards:

- Developing the Public Private Partnership (PPP) model for the financing, construction and management of the following key road projects: rehabilitation and expansion of the Accra-Tema Motorway, Accra – Kumasi road dualisation and the Western Corridor roads Phase 1 (Elubo-Sunyani);
- Routine maintenance on 11,600km, 16,000km feeder and 4,200km urban road networks respectively;
- Periodic maintenance activities on 892km trunk, 1500km feeder and 1200km urban roads of the trunk road network respectively; and
- Implementation of electronic tolling of roads to improve revenue generation into the Road Fund.

Transport

Activities for 2014 shall emphasise amongst others the:

- Expansion of the Kotoka International Airport (KIA) terminal building project;
- Construction works on the upgrade of the Tamale Airport as an alternate to KIA;
- Development of the ports infrastructure at Akosombo, Buiepe and Yapei; and
- Continuation of rehabilitation and modernisation of existing railway lines.

Communication

The key policy initiatives are:

- Developing and maintaining an educational portal for teachers, students, parents and researchers, with the expectation that quality education will be delivered to the doorsteps of all.
- Implementing the e-Parliamentary System, under which members will be able to file their queries to the Executive;
- Continuing installation of the fibre optic infrastructure and constructing a data centre and a managed services component to ensure security of data on the entire network;
- Implementing and deploying well-functioning unique national biometric ID system under the e-Transform project;
- Continuing the installation of fibre Optic Broadband Backbone infrastructure on the Eastern corridor to accelerate development and access to Information and Communication Technology (ICT).

2014 Budget Highlights

The Economy



Structural bottlenecks in infrastructure, labour markets, and declining commodity prices have contributed to a slowdown in the growth momentum in many emerging and developing economies.

Inflation has been relatively higher in major emerging market economies as a result of exchange rate depreciation in recent months.

Ghana has experienced a mixed effect from developments in the global economy. Increasing unrest and geographical tensions in the Middle East and North Africa led to spikes in oil prices. Conversely, demand for gold decreased as unemployment rates in advanced economies remained high particularly the Euro Zone.

Overview

The expected performance of the economy during 2013 as determined by the key indicators are as follows:

Description	Actual 2013*	Target 2013
Real GDP growth (non-oil)	5.8%	6.5%
Overall real growth (including oil)	7.4%	8.0%
End of period inflation	11.9%	9.0%
Fiscal balance deficit	8.4%	7.2%**
Gross International Reserves	Not less than 2.9 months of import cover	Not less than 3 months of import cover

Source: MoFEP Budget Statement 2014

* Provisional estimates, Sept. 2013

** September 2013 Target

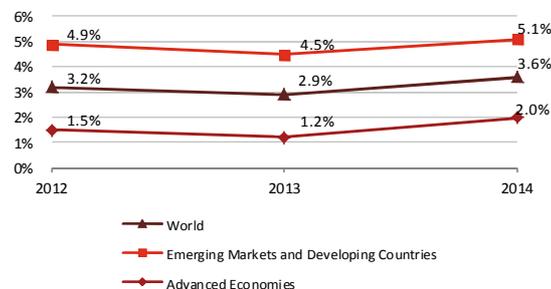
An examination of 2013 economic results relative to targets indicates the need for effective monitoring of policies aimed at arresting the increasing deficit. Government should increase efforts to curb public spending which is increasingly preventing effective balancing of the budget.

The World Economy

- The IMF's World Economic Outlook (WEO, Oct. 2013) projects a sluggish global economic growth in 2013, estimated at 2.9% less than the 3.2% recorded in 2012.
- The decline resulted from a weaker than expected performance from emerging markets and developing economies and a slow economic recovery in advanced economies.
- The IMF projects global growth of 3.6% in 2014. The projected growth will be driven more by advanced economies particularly the United States, where activity will move into higher gear as fiscal consolidation eases.
- In the Euro Zone growth is expected to remain sluggish in 2014 as a result of bottlenecks in credit. However, policy actions should reduce major risks and stabilise financial conditions. The region is expected to gradually pull out of recession, with growth reaching 1% in 2014.
- Growth in emerging markets and developing economies is expected to remain strong at 5% in 2014, supported by solid domestic demand, recovering exports, and supportive fiscal, monetary and financial conditions. Commodity prices will continue to boost growth in many low-income countries, including those in sub-Saharan Africa

- Inflation is expected to remain generally stable in advanced countries, supported by a slowdown in commodity price movements.
- In major emerging developing economies, however, inflation has been relatively higher, a problem that has been magnified by the exchange rate depreciation in 2013. The external financing conditions that have led to the weakening of currencies in emerging and developing economies in recent months could also drive up inflation.

Global GDP Growth (%)



Source: IMF WEO, Oct. 2013

Spill-overs from sluggish external demand, reversal of capital flows and declines in commodity prices pose threats to growth prospects in Ghana for short to the medium term. In order to ensure that the medium term growth targets are met, Government needs to pay priority attention to pipeline infrastructure investments, deepen the ongoing structural reforms and give priority to non-traditional exports.

The West African Monetary Zone (WAMZ)

- Economic growth in the West African Monetary Zone (WAMZ) was 6.7% during the first half of 2013 compared to 6.4% during the same period in 2012. The trend was driven by economic activities in member states as follows;
 - ◆ In Nigeria the economy expanded by 6.6% largely on account of increased activity in Industry and Agriculture.
 - ◆ Economic growth is expected to increase in The Gambia from 3.9% in 2012 to 6.4% in 2013 as a result of expansion in agriculture, while Liberia's growth is projected to record a marginal increase from 8.3% to 8.4% on account of increased mining activities.
 - ◆ Guinea and Sierra Leone, however, projected growth slowdown from 3.9% and 15.2% in 2012 to 2.9% and 14.6% in 2013, respectively.
 - ◆ Ghana's real GDP growth slowed from 11.1% in the first half of 2012 to 6.4% in the corresponding period in 2013 due to reduced activity in the industrial sector, especially energy and manufacturing, as well as slower growth of the agricultural sector.
- During the first half of 2013, WAMZ inflationary pressures in the Zone eased considerably as zone-wide inflation declined to 9.3% at end-June 2013, from 12.6% at end-June 2012.
- Even though Ghana, Guinea and Sierra Leone recorded double digit inflation of 11.6%, 12.0% and 10.8% respectively, single-digit inflation rates of 5.8%, 7.0% and 8.4% recorded by The Gambia, Liberia and Nigeria ensured an overall inflation rate of 9.3% in WAMZ.
- The WAMZ gross external reserves position improved with an aggregate stock of reserves of US\$51.4 billion at end-June 2013, compared to US\$41.1 billion during the same period in 2012.
- The stock of external reserves increased in four member states, with Nigeria and Ghana recording the largest increases of 27% and 20.1% over that of end-June 2012 to US\$45.0 billion and US\$4.9 billion, respectively, at end-June 2013. In Guinea and Liberia, the gross external reserves position deteriorated by 13.2% and 13.3%, to US\$669.7 million and US\$231.4 million, respectively.

Ghana's real GDP growth rate fell to 6.4% by end of June 2013 from 11.1% end of June 2012. Nonetheless, the country recorded the second largest increase in external reserves in the WAMZ economies from July 2012 to June 2013.

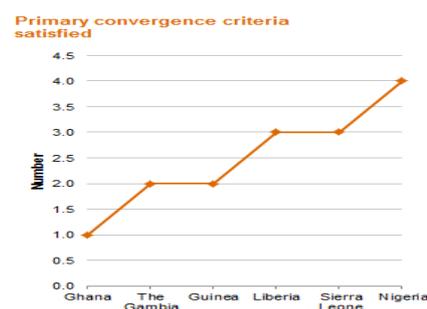
Despite better performance in previous years, Ghana is the only country in the WAMZ to have missed three of the four primary convergence criteria for the Zone as at June 2013.

Convergence Criteria

- The WAMZ primary convergence criteria are as follows;

Primary criteria	
1.	A single-digit inflation rate at the end of each year
2.	A fiscal deficit of no more than 4% of the GDP
3.	A central bank deficit-financing of no more than 10% of the previous year's tax revenues
4.	Gross external reserves that can give import cover for a minimum of three months

- As at end-June 2013, Nigeria was the only member state that satisfied all the four **primary criteria**. Liberia and Sierra Leone satisfied three of the criteria each, with Liberia missing out on the external reserves criterion, while Sierra Leone did not meet the inflation criterion.
- The Gambia and Guinea satisfied two criteria each. The Gambia missed fiscal deficit and central bank financing criteria while Guinea was unable to meet the inflation and fiscal deficit criteria.
- Ghana met only the central bank financing as a percentage of previous year's tax revenue criterion.



Source: West Africa Monetary Institute

Given rising inflation and public sector wages coupled with external shocks, Government must enforce tighter fiscal and monetary policies to be able to meet the convergence criteria of WAMZ in the short to medium term.

Inflation and fiscal deficit remained the more challenging criteria for Member states, while central bank financing and external reserves were mostly satisfied by Member States.

- A summary of the WAMZ Secondary Convergence criteria are as follows;

Secondary criteria	
1.	Prohibition of new domestic default payments and liquidation of existing ones
2.	Tax revenue should be equal to or greater than 20 percent of the GDP
3.	Wage bill to tax revenue equal to or less than 35 percent.
4.	Public investment to tax revenue equal to or greater than 20 percent
5.	A stable real exchange rate
6.	A positive real interest rate

- No member state of the WAMZ satisfied all the **secondary criteria**. Nigeria satisfied three criteria which were non-accumulation of arrears, salary mass over tax revenue and exchange rate stability.
- Guinea met salary mass over tax revenue and investment from domestic receipts criteria, while Liberia complied with non-accumulation and liquidation of domestic arrears and tax revenue over GDP criteria.
- The Gambia and Sierra Leone did not satisfy any of the secondary criteria. Ghana met the criteria on real interest rate and exchange rate stability.

The Services Sector accounted for the largest contribution of 50.6% to the size of GDP in 2013; Industry contributed 28.1%; while Agriculture contributed 21.3%.

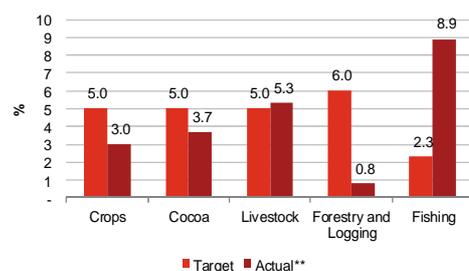
In spite of the improved growth in the Agriculture Sector in 2013 compared with that of 2012, the sector's share of GDP declined from 22.7% in 2012 to 21.3% in 2013 due to stronger growth in both the Industry and Services Sectors.

Summary of Sectoral Performance

Agricultural Sector

- The Agricultural Sector grew at 3.4% in 2013. This was markedly higher than 2012's 1.3%, but still below the 2013 target of 4.9%
- Agricultural growth was driven mainly by the Fishing sub-sector, which grew by 8.9% in 2013 relative to a growth rate of 4.7% in 2012. The performance of the Fishing sub-sector is primarily due to the strong growth in the aquaculture industry.

Agricultural Sub-sector performance



Source: MoFEP Budget Statement 2014

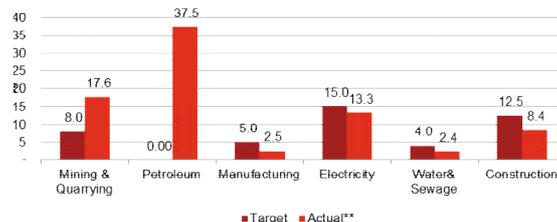
The importance of the Agriculture Sector in the socio-economic development of Ghana cannot be overemphasised. The President in his State of the Nation Address outlined some policy initiatives (such as focus on fishing and aquaculture development, incentives for cocoa farmers), geared towards accelerating agricultural modernisation for job creation. Beyond these policy initiatives, Government should put in place practical implementation steps in the agriculture sector to enable the economy achieve the full benefits associated with these policy initiatives.

The Forestry and Logging sub-sector have historically exhibited declining trends, having contracted by 14% and 4% in 2011 and 2012 respectively. With a 0.8% growth in 2013 mainly due to the investments in reforestation activities, Government appears to have taken a positive step towards reviving the Forestry and Logging sub-sector. Government should ensure that robust Monitoring and Evaluation (M&E) and performance management systems are implemented along with these initiatives to optimise the resources being expended to revive growth in a sector with such high value potential.

Industry Sector

- The Industry Sector recorded a growth of 9.1% in 2013, up from 7% in 2012 and above the 2013 target of 8.7%.
- The performance of the Industry Sector was mainly on account of a 37.5% growth in petroleum activities which fed into a 17.6% growth in the Mining and Quarrying sub-sector, up from 5% in 2012.
- The Manufacturing sub-sector, however, posted a growth of 2.5%, down from 5% growth in 2012, mainly due to the power crisis which was experienced in the first half of the year.

Industry Sub-sector performance



Source: MoFEP Budget Statement 2014

Growth within the Industry Sector has over the past 3 years (2011-2013) been driven mainly by the Petroleum sub-sector. All the other sub-sectors (relative to performance in 2012) recorded marginal growth and in some instances decline in 2013 relative to performance in 2012, underscoring the need for Government to re-vamp activities within the other sub-sectors and also avoid the “Dutch Disease”.

Having attained lower middle income status, it is imperative for our economy to move from exporting primary products towards industrialisation to enable the creation of more value for exports, thus expanding our manufacturing base and creating more jobs.

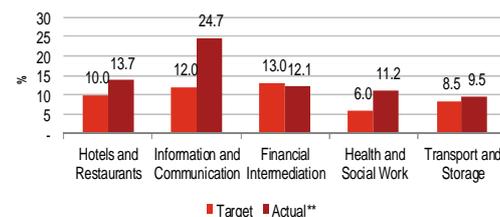
The Electricity sub-sector was reported to have recorded less-than-targeted growth, driven mainly by the sector-wide challenges that were evident in the first half of 2013. This underscores the fact that demand for power is very high and the generation deficit must be fixed permanently. It is a relief to note the entire MCA Compact 2 funds is expected to be channeled to power generation which will facilitate growth and expansion within the Industry Sector.

Services Sector

- The Services Sector which has over the past years contributed the largest proportion of GDP maintained its high growth rate posting a 9.2% growth in 2013, higher than the targeted growth of 8.5% but down from 10.2% in 2012.

- The five sub-sectors that drove the growth of the Service Industry are as follows:

Sub-sectors in the Service Sector which experienced growth



Source: MoFEP Budget Statement 2014

The Service Sector has over the past years contributed the largest share of GDP. A key concern has been that the Services Sector lacks the capacity to generate as many jobs as the agricultural sector would and might focus on those meeting some minimum educational standards. Expansion and growth in the Agriculture sector could be the panacea to the rising unemployment in Ghana particularly for the youth.

Total revenue for the nine month period ended September 2013 was 15.1% below target with expenditure also 6.6% below target, resulting in an overall budget deficit of 8.4% of GDP against a targeted deficit of 7.2% of GDP.

The shortfall in total revenue has been attributed mainly to lower than anticipated domestic revenue collection and partly due to low disbursement of grants from development partners.

Domestic revenue which comprises tax and non-tax revenues, accounted for 96% of total actual revenue over the first three quarters of 2013.

Tax revenue was below target as a result of lower import volumes, decline in commodity prices on the world market and slow down in economic activities during the first half of 2013 due partly to the energy crisis, thus all culminating lower company taxes and mineral royalties.

The lower than expected grants was due to the non-disbursement of budget support from our Multi-Donor Budget Support partners.

Fiscal Performance

	2013		% Change
	Target (Jan-Sept) GH¢million	Actual ** (Jan-Sept) GH¢million	
Total Revenue	16,341.90	13,868.20	-15.1%
Total Expenditure and Arrears Clearance	22,710.30	21,202.80	-6.6%
Overall Fiscal Balance	(6,368.40)	(7,334.60)	15.2%
Domestic Revenue	15,285.90	13,333.90	-12.8%
Tax Revenue	12,122.30	10,005.00	-17.5%
Non-Tax Revenue	3,040.90	3,222.90	6.0%
Others	122.70	106.00	-13.6%
Grants	1,056.10	534.30	-49.4%
Total Revenue	16,342.00	13,868.20	-15.1%
Total Expenditure	20,917.00	18,743.40	-10.4%
Recurrent	15,448.80	12,817.50	-24.0%
Capital	3,674.90	3,466.50	-5.7%
Arrears Clearance	1,793.30	2,138.20	19.2%
Discrepancy	-	321.20	0.0%
Total Expenditure and Arrears Clearance	22,710.30	21,202.80	-6.6%

**Provisional estimates, Sept, 2013

Source: MoFEP Budget Statement 2014

Revenue

- The shortfall in total revenue and grants has mainly been attributed to lower than anticipated domestic revenue collection and partly as a result of low disbursement of grants from our development partners.
- The weak revenue performance in all tax types, except corporate income tax from the oil companies, accounted for the shortfall in domestic revenue.
- The lower than expected tax revenue performance according to Government relates to lower import volumes, decline in commodity prices on the world market and the slow down in economy during the first half of the 2013, due partly to the energy crisis. Particularly, the decline in gold prices resulted in lower than expected company taxes and mineral royalties.

Government will have to improve domestic revenue mobilisation efforts in 2014 in order to reverse the high budget deficit.

Expenditure

Total expenditure over the nine month period to September 2013 was 6.6% lower than the budget target and 25.5% higher than the corresponding period in 2012. The growth in expenditure was mainly due to the increase in interest costs and growth in public sector wage bill during 2013.

Interest payments in 2013 totalled GH¢3.3m, 39.5% higher than budget target and 111.1% higher than the actual for the corresponding period in 2012. Of this amount, domestic interest was 47.2% higher than the budget target. On a year-on-year basis, domestic interest grew by 140.4% reflecting very high domestic borrowing in 2012 to finance the deficit.

- Total capital expenditure was 4% of GDP and compares with the budget target of 4.1% of GDP. The shortfall in capital expenditure was due to the slow disbursement of some project loans. To ensure that growth is not further negatively impacted by a reduction in capital spending due to shortfall in revenue, part of the proceeds from the Eurobond issue has been earmarked to fund capital expenditures in the Budget.

Fiscal Deficit

Against a backdrop of a high fiscal deficit in 2013, fiscal policy outlined in the 2014 Budget aimed to achieve fiscal prudence, in order to achieve sustainable debt limits and a reduction in the budget deficit. Government intends to reduce the budget deficit from 8.4% of GDP in 2013 to 6% of GDP by 2016.

Government aimed to reduce the budget deficit from 11.8% of GDP in 2012 to 9% of GDP in 2013.

To enable it achieve the targeted fiscal benchmarks, Government plans to reduce the budget deficit through improved revenue mobilisation and other initiatives. Specifically, its fiscal policy will focus on:

- Improving revenue mobilisation through the Ghana Revenue Authority's on-going Modernisation Programme;
- Realigning key budget items and enhancing the efficiency of public expenditures through the ongoing Public Financial Management (PFM) reforms, including GIFMIS
- Reviewing capital expenditures and the strategies for financing them (in collaboration with Bank of Ghana)
- Focusing on the completion of pipeline projects to reduce medium term fiscal risks; and
- Refinancing and extension of tenure of debt.

Government aims to achieve this through fiscal prudence and debt sustainability such as improved revenue mobilisation, rationalising and enhancing the efficiency of public expenditures as well as reviewing financing methods.

The fiscal deficit at the end of 2013 is estimated at GH¢8,905 million, equivalent to 10.2% of GDP. This means that Government must put in place pragmatic measures to address the increasing budget deficit.

We note that financing the deficit will be from both domestic and foreign sources. Financing the deficit from domestic sources (i.e. through borrowing) will result in a "crowding out" effect, leading to higher interest rates on the domestic market.

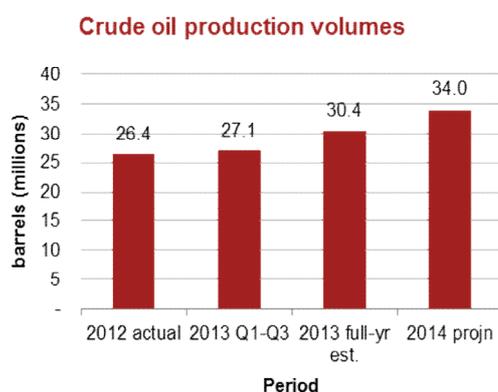
With its proposed strategies of addressing the high debt service cost (such as adopting a refinancing scheme to lengthen maturities of contracted loans, obtaining better terms for outstanding loans as well as contracting new loans on exception basis only); Government will need to ensure some amount of fiscal discipline in order to keep the overall budget deficit within desirable limits.

Oil and Gas

Oil production and petroleum receipts:

- Crude oil production from the Jubilee Field averaged about 102,503 barrels of oil per day (bopd) for the first three quarters of 2013.
- Indications are that, the average daily production from the Jubilee Field is likely to exceed the current average of 102,503 bopd by the end of the year owing to development work being executed in the Field.
- The actual total volume of oil produced for the period January to September 2013 is estimated at 27.1m barrels which is 89.1% of the full-year estimate of about 30.4m barrels.
- Out of the total volume produced in the first 3 quarters of 2013, GNPC lifted about 4.97m barrels which about the same level as the full-year volume lifted for 2012 (2012 full year: 4.9m barrels).
- By end of September 2013, GNPC had made five lifting on behalf of the State. This totalled 4,977,922 barrels which resulted in a total revenue of US\$533.9m.
- Government expects to generate a total of US\$777m in gross revenue from petroleum receipts in 2014 which is about 34% higher than the budget for 2013.

Given the provisional estimates for the first three quarters of 2013, assuming an average production of 102,503 bopd, it is possible for the 2013 full year production volumes to hit 36m barrels by the end of the year as against a full year projection of 30.4m barrels for 2013.



Source: MoFEP Budget Statement 2014 & PwC analysis

Composition of petroleum receipts	2013 budget	Jan-Sep 2013 Actual	2014 budget	% Var	% Var
	(A)	(B)	(C)	B-A	C-A
	US \$ million	US \$ million	US \$ million	%	%
Royalties	143.7	149.0	158.8	4%	10%
Carried and participating interest	372.0	385.2	410.7	4%	10%
Surface rentals	0.42	0.8	0.8	90%	89%
Corporate income tax	55.9	172.2	187.2	208%	235%
Gas receipts	9.8		19.4	-	100%
Total	581.7	707.3	777.0	22%	34%

Source: MoFEP budget statement & PwC analysis

Distribution of Petroleum Receipts	2013 budget	Jan-Sep 2013 Actual	2014 budget	% Var	% Var
	A	B	C	B-A	C-A
		US \$ million	US \$ million	%	%
Transfer to GNPC	191.4	186.1	192.6	-3%	1%
BoG net receipts for distribution to Annual Budget Funding Amount (ABFA) & Ghana Petroleum Funds (GPFs)	390.3	521.2	584.4	34%	50%
Total	581.7	707.3	777.0	22%	34%

Source: MoFEP Budget Statement 2014 & PwC analysis

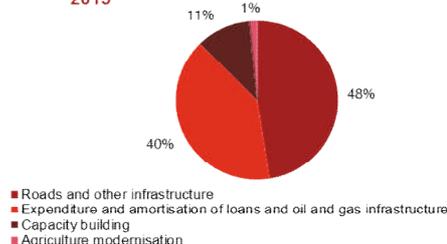
In 2012, Government did not generate any corporate tax revenue from companies with interest in the Jubilee Field as profits made by these companies were used to offset their investment made prior to commencement of production. However, 2013 results showed marked improvement in revenues and the Jubilee partners have started to pay corporate income tax. This presents good prospects for Governments revenues going forward.

In 2014, Government proposes to allocate about 15% (GH¢136.4m) of the ABFA to agricultural modernisation which is markedly higher than the 1.5% allocated in the first three quarters of 2013.

Utilisation of the Annual Budget Funding Amount (“ABFA”)

- The ABFA is part of the national budget and is treated as part of the consolidated fund. The priority expenditure areas for the ABFA for the period 2011 – 2013 are expected to remain the same in 2014. Actual spend for the first three quarters of 2013 totalled GH¢392.94m and were in respect of the following priority areas:
 - ◆ Road and other infrastructure- GH¢142.34m (47.5%)
 - ◆ Expenditure and amortisation of loans for oil and gas infrastructure- GH¢119.88m (40%)
 - ◆ Capacity building- GH¢32.58m (10.9%)
 - ◆ Agricultural modernisation- GH¢4.6m (1.5%)

Distribution of ABFA expenditure: Jan to Sept. 2013



Source: MoFEP Budget Statement 2014 & PwC analysis

Actual spend of the ABFA over the first three quarters of 2013 shows that, about 47.5% (GH142.34m) was for road and other infrastructure which shows Government’s commitment to prioritise infrastructural development to accelerate economic growth.

- Government estimates to generate about US\$584m in Benchmark Revenue (i.e. revenue net of transfers to GNPC) from petroleum receipts in 2014, out of which 70% will be allocated to ABFA with the 30% allocated to the Ghana Petroleum Fund (GPF).
- In 2013, about 76% of ABFA for the first three quarters was spent on public investment expenditure, which was greater than the minimum 70% prescribed by Section 21 (4) of the Petroleum Revenue Management Act (PRMA). The other 24% was spent on goods and services.
- ABFA made significant improvement in 2013 as revenue targets were met and the Jubilee partners commenced the payment of corporate income tax.

This compares favourably to 2012 when allocations to ABFA fell short of the target by US\$96.9m due to shortfalls in production targets as well as the non-realisation of corporate income tax.

Utilisation of the Ghana Petroleum Fund

- The Ghana Petroleum Fund (GPF) which amounted to a total of US\$316.09m in 2013 is constituted by the Ghana Heritage Fund (GHF) and the Ghana Stabilisation Fund (GSF).
- Results for the first three quarters of 2013 showed that the GPF received about 6% more in revenue than the ABFA (2012: 92% less than the ABFA). However, Government projects to allocate about US\$175m to the GPF in 2014 which represents 30% of the total Benchmark Revenue (i.e. after accounting for transfers to GNPC).

Key policy initiatives

In accordance with Provisions in PRMA which requires policy reviews every three years, the 2014 budget proposes the following key policy initiatives:

- A 10 percentage point downward revision (from 40% to 30%) of GNPC’s share of carried and participating interest, net of equity finance cost. This is in light of the increase in volumes of crude oil exports.
- Formally linking ABFA and the proposed Ghana Infrastructure Fund
- Capping GSF at \$250 million (subject to periodic review) and utilising excess amounts for debt repayment and setting up a Contingency Fund of \$50 million to meet urgent unforeseen expenditure. This proposition was informed by the relatively low investment income on the GSF compared to the high borrowing cost for infrastructure projects. The use of the excess amounts for debt repayment is expected to free capital for infrastructure development
- Reviewing the range of instruments for investment to include higher yielding instruments for accumulated funds in GPF’s. This would be based on the advice of the Investment Advisory Committee.

Government needs to ensure that its attempt to bridge the infrastructural gap is not done at the expense of key sectors such as Agriculture. The 15% ABFA allocation to Agricultural modernisation should be maintained and subsequently increased to prevent a possible Dutch disease.

There was a year-on-year drop in growth of broad money supply by about 7%

The economy has been unable to revert to its single digit inflation level since January 2013, and inflation has worsened from 10.1% in January 2013 to 13.1% as at October 2013

Monetary Sector

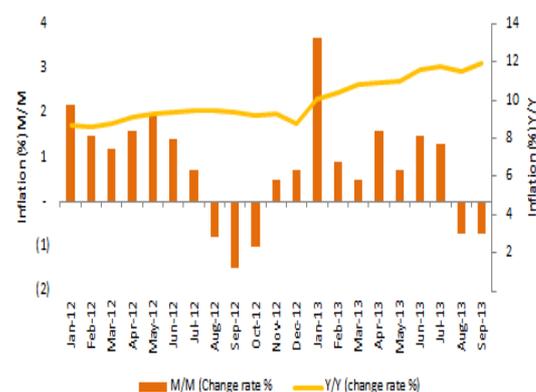
- Broad money supply including foreign currency deposits (M2+) grew by 17.7% from January to September 2013, a decline from 28.8% over the same period 2012.
- There was a slower growth in reserve money in 2013 (21%) compared to 2012 (49.3% and 2011 (37.8%). This resulted from the reduced growth of 30% of Net Domestic Assets (NDA) (2012—352%).
- 2012 Net Foreign Assets (NFA) increased by 15.6% although there was a significant decline of 24% for the same period in 2012.
- Credit extension by the banking sector to the private sector increased nominally by 26% as at September 2013 compared to the significant expansion by 43.8% in September 2012
- Government plans to focus on improving foreign exchange stability and pursue policies to boost credit accessibility.

Broad money supply continues to grow at a declining rate indicating the lingering effect of the high rates for Government instruments from 2012.

Inflation rate

- The inflation rate increased from 10.1% in January 2013 to 11.8% in July 2013. It rose to 13.1% in October 2013.
- The double digit inflation recorded in 2013 is attributable to the pass-through effect of fuel and utility price hikes and the rebasing of the Consumer Price Index (CPI) and the revision of the CPI basket in May 2013, which included an increase in the weight of transportation from 6.2% to 7.2%.

Inflationary trends - (2012 - 2013)



Source: Ghana Statistical Service (GSS) & BoG

Considering the impact of the full effect of the fuel price increases, increase in VAT from 12.5% to 15% and the imposition of a withholding tax on rent (15% for commercial buildings and 8% for residential buildings), inflationary pressures could worsen. This will result in some uncertainty as to the attainability of the 9% average inflation target for 2014.

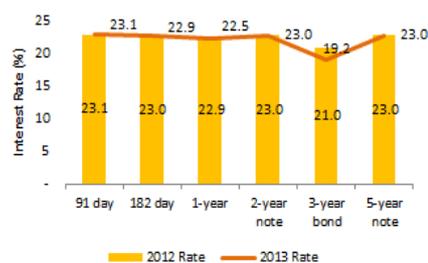
The Cedi continued to decline against all the major currencies in 2013 albeit not as steeply as it did in 2012

Average bank lending rates increased from 25.7% as at December 2012 to 27.4% as at June 2013

Interest rates

- The monetary policy rate was increased by one percentage point in April 2013 from 15% to 16% and was maintained at 16% in September 2013.
- The 91-day Treasury bill, 2-year note, and 5-year bond maintained at the December 2012 levels of 23.1%, 23% and 23% respectively.
- The rates on the 182 day bill, 1 year note and 3-year bond however declined marginally over the period.
- The Interbank weighted average rates declined from 17.5% as at December 2012 to 17.1% as at August 2013.

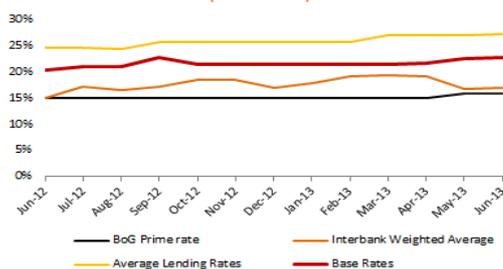
GoG Treasury Rate Trends (2012 - 2013)



Source: MoFEP Budget Statement 2014 & PwC analysis

- Bank base rates, have increased from a range of 12.3% to 26.5% as at December 2012 to a range of 14.1% to 29.5% as at June 2013.

Interest rate Movements (2012 - 2013)



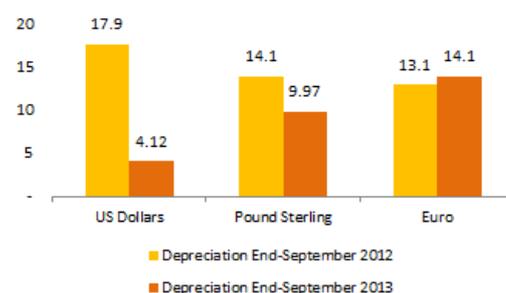
Source: MoFEP Budget Statement 2014 & PwC analysis

Financial institutions continue to increase their lending rates, despite the relatively stable trend in Government treasury rates and the BoG Prime rate. This could be an indication of declining confidence in the creditworthiness of the private sector coupled with the relatively attractive rates being offered on risk-free Government instruments—leading to a higher cost of funds.

Exchange rates

- The Ghana Cedi depreciated against all its major trading currencies. The Ghana Cedi depreciated by 4.12%, 9.97 and 14.1% against the US dollar, the pound sterling and the Euro respectively.

9-month Ghana Cedi Depreciation Rates (2012 - 2013)



Source: MoFEP Budget Statement 2014

The Ghana Cedi made a better showing in 2013 against the US dollar and Pound Sterling on the inter currency market, although it still depreciated against all three currencies. This may be the result of the impact of the stringent policies adopted by the BoG to curb the freefall of the Ghana Cedi in 2012. Government must consider its external debt service obligations and put measure in place to ensure that there will be less pressure on foreign exchange in the medium term. A stronger Ghana Cedi in 2014 will improve confidence in the economy

Decline in global market prices of some of Ghana's key commodities – gold and cocoa coupled with a drop in their export volumes impacted export earnings negatively. Gold prices declined by approximately 20% from US\$1,657.5 in December 2012 to US\$1,326 in September 2013, resulting in a 14% decline in the receipts from sale of gold over the same period.

Government expects to achieve its export targets for 2013 however year-end imports are expected to be 5.3% below the budgeted amount.

External Sector

- As at September 2013, the trade deficit was US\$2,744 million, compared US\$3,052.3 million end of 2012
- Receipts from merchandise exports marginally increased to US\$10,329.4 million for the nine-month period to September 2013, compared to US\$10,235.7 million end of 2012, driven by oil, timber and other non-traditional exports.
- Crude oil exports increased by 41.8% in 2013 as a result of the 48% increase in volumes of exports as production levels rose.
- As at September 2013 imports was US\$13,073.5 million, a marginal decline from the 2012 position of US\$13,205.3 million. The drop was attributable to non-oil imports as there was a 1.3% increase in oil imports.
- The balance of payments deficit is projected to reduce to US\$884 million in 2013 as a result of improvement in the capital and financial account (2012—deficit of US\$1,210.9 million).

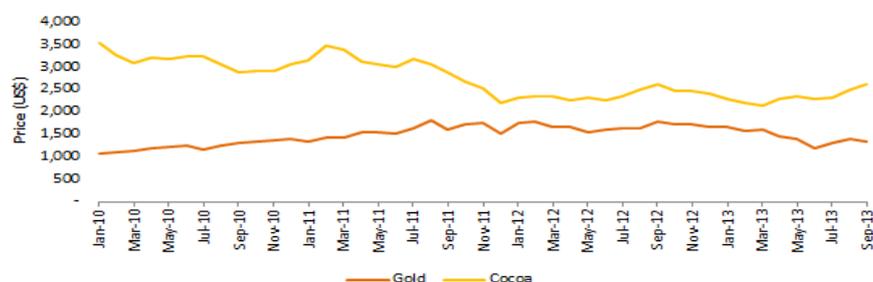
Gross International Reserves

- Gross International Reserves decreased to US\$5,212.1 million as at September 2013, equivalent to 2.9 months of import cover. (end of 2012—US\$5,349 million, equivalent to 3 months of import cover).
- Government has projected a minimum of 3 months import cover as at the end of 2013.

It is evident from the 9-month results that Government must accelerate efforts to increase local production in order to boost export volumes, as the declining world market prices for our key commodities have impacted negatively on our import cover.

Additionally, Government's plans to invest in Private sector development via the setting up of the SME Fund could increase production by small manufacturing companies leading to an increase in consumption of locally produced goods thus reducing the country's reliance on imported consumer products.

Global Market Price Trends (2010 - 2013)



Source: Ghana Statistical Service

Total public debt has increased from US\$19,150.7 million as at the end of 2012 to US\$23,498.7 million as at September 2013 representing a 23% increase.

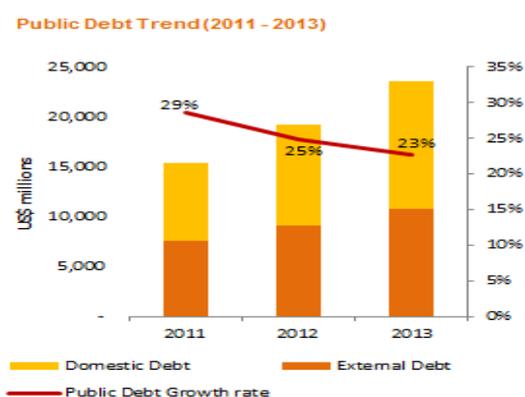
The total public debt to GDP ratio increased from 49.3% in 2012 to 52.0% in 2013. For the 9-month period to September 2013, a total amount of US\$1,793 million worth of new loans were signed (2012—US\$2,286 million)

Government has developed some key strategies for Debt Management including efficient liquidity management and investment into self-financing projects

Public Debt

- Total Public Debt amounted to US\$23,498.7 as at September 2013 compared to US\$19,150.7 as at 2012
- The total public debt to GDP ratio increased significantly from 49.3% in 2012 to 52.0% in 2013
- The significant increases in public debt resulted from the following:
 - ◆ Disbursement of US\$750 million from the Eurobond proceeds
 - ◆ Drawings of US\$383.5million from the China Development Bank
 - ◆ Issue of 7-year domestic bond

Source: MoFEP Budget Statement 2014



- In 2013, External debt constituted 45.9% (2012 – 47.8%) and Domestic debt constituted 54.1% (2012—52.2%) of total public debt.

The increasing trend in domestic debt issuance indicates that Government is further crowding out the private sector's access to credit which counteracts Government's intention to focus on the development of the private sector. Government should consider diversifying the sources of long-term financing to help improve the fiscal situation and minimise any adverse impact on the availability of credit to the private sector.

Additional Debt Commitments in 2013

- There was a net issuance of US\$3,056.9million of domestic debt as at September 2013. Additionally, loans amounting to US\$1,793million (December 2012—US\$2,286 million) were signed—including US\$1,000 million Eurobond—to finance projects in the Health, Housing, Transport, Local Government and Road Sectors.

Debt Sustainability Analysis (DSA)

- According to the 2013 Debt Sustainability Analysis (DSA) conducted by the IMF and the World Bank, Ghana's risk of debt distress has risen, despite the fact that it remains below the recommended threshold.
- Per the DSA, the debt service-to-revenue ratio is projected to average about 9.1% of GDP between 2013-2018.

Although the country has remained below the recommended threshold measures must be put in place to ensure that there is sufficient buffer to absorb the impact of any shocks. It is imperative that revenue mobilisation is intensified as outlined in the 2014 Budget. Additionally, plans of investing in self-financing infrastructural developments must be well implemented to reduce the debt service burden on public funds.

Debt Management Programme ("DMP")

- Government has developed a debt management strategy to provide a more cost-efficient access to external and domestic debt for efficient debt management
- The strategies include the following:
 - ◆ Liquidity Management
 - ◆ Revenue Generation from Self-Financing Projects
 - ◆ On-Lending and Escrow Account arrangements with MDA/MMDAs
 - ◆ Financing Capital Expenditures with long-term Debt
 - ◆ Loans-to-Priority Projects Programme
 - ◆ Long-term financing from the external capital markets

Government has shown signs that it is implementing some of the Debt management strategies with the issuance of the US\$1,000 million Eurobond to finance long-term projects. Investor confidence in the country could however be dampened by the deteriorating debt/GDP ratio. Overall economic performance is subdued by increased borrowing and this may further deter international investment.

Real GDP (including oil) is projected at an average of 8.7% from 2014 to 2016.

Government has also targeted an overall budget deficit of 8.5% in 2014 with a further decline to 6% by 2016.

Macroeconomic Targets for 2014

- Real non-oil GDP growth of 7.4%
- Real overall GDP growth including oil of 8%
- Average inflation of 8.9%
- End period inflation of 9.5% within $\pm 2\%$
- Overall budget deficit equivalent to 8.5% of GDP; and
- Gross International Reserves of not less than three months of import cover of goods and services

Medium Term Real GDP Growth Projections

Item	Including Oil (%)		
	2014	2015	2016
Overall GDP	8.0	8.2	10.0
Agriculture	4.2	5.8	6.2
Industry	9.1	7.1	12.6
Services	8.9	9.3	9.6

Source: Ministry of Finance

Based on the policies and strategies to be implemented by Government in the medium term, the economy is projected to grow at not less than 8% from 2014 to 2016.

The growth in the agricultural sector despite erratic weather conditions in sub-Saharan Africa is encouraging. A waiving of VAT on some agricultural products is likely to spur growth within the agricultural sector further.

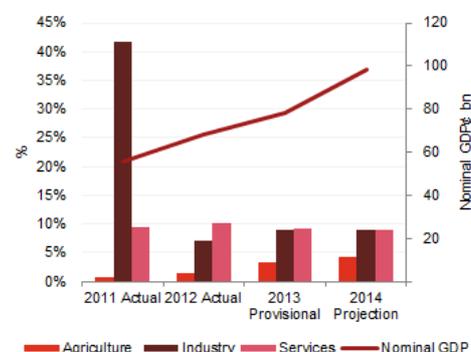
Government has estimated an average GDP growth rate of 8% for the medium term to be driven largely by 5.4% average growth in Agriculture sector on the back of 5.3% growth in Crops subsector including Cocoa. However, with prices of commodities trending down investment in the wider agriculture sector especially forestry and fishing is highly recommended.

Medium-Term Targets for 2014—2016

The specific macroeconomic targets to be pursued for the medium-term will include:

- An average GDP growth rate (including oil) of at least 8% per annum;
- An inflation rate target of 9% with a band of $\pm 2\%$
- An overall average budget deficit equivalent to 6% of GDP by 2016; and
- Gross International Reserves covering not less than four months of import of goods and services by 2016.

Real GDP Growth



Source: MoFEP Budget Statement 2014

The contraction of growth in the manufacturing sub-sector was primarily due to the power crisis experienced in the first half of the year. This was primarily due to power generation crises caused by the disruption of gas supply from Nigeria to Ghana under the West African Gas Pipeline Project. With the Ghana Gas Processing plant coming online in 2014, there could be added energy security. This is likely to spur growth driven by local manufacturing companies. The renewable energy tariff gazetting and the increase in electricity tariffs could attract foreign investment into the power sector but could adversely affect local manufacturers.



No change to personal income tax bands pending the outcome of National Daily Minimum Wage Negotiations

Transfer pricing audits

Proposal to increase withholding tax rate on rent of commercial properties

Windfall Tax to be re-introduced to Parliament

Personal Income Tax

Government has over the years increased the personal income tax (PIT) bands as a way of cushioning individuals from rising costs and protecting low income earners. In the current budget however, Government intends to maintain the current personal income tax bands. This proposal is in line with Government's bid to reduce the impact on the wage bill and is subject to the outcome of negotiations on the National Daily Minimum Wage.

An increase in the personal income tax bands will cause a reduction in Government's revenues from PIT as well as result in an increase in the wage bill of Government since more money will be paid to public sector workers. With the recent complaints from the general public and external stakeholders about the size of Ghana's wage bill, this measure is a step in the right direction towards avoiding further wage bill increases.

It is unclear what Government plans to do should minimum wage increase: (1) whether Government will adjust the personal tax rates in order to increase personal income tax collection to fund the wage bill; or (2) whether Government will expand the tax-free (0%) income tax band to ensure that minimum wage remains untaxed.

Tax on Property and Property Use

The budget also proposes increasing the rate of withholding tax on the rental payments of commercial buildings from 8% to 15% in a bid to encourage the provision of residential accommodation to stem the existing housing deficit. The ongoing street naming exercise is expected to facilitate the identification and collection of the rent tax. The GRA, MMDAs and other stakeholders' work on the Cadastral Project is also expected to enhance the valuation of properties for determining property rates.

The increase in the withholding tax rate on commercial buildings appears to be a natural progression of the 2013 budget in which Government bemoaned the conversion of residential properties into commercial ones thereby increasing the housing deficit further.

The increase in the withholding tax rate on commercial buildings is also likely to have a positive impact on Government tax revenue.

Commercial property owners are also likely to increase the rent of their buildings in order to pass on the tax to their tenants resulting in higher costs for businesses.

Transfer Pricing Regulations

The GRA is currently streamlining the transfer pricing regulations passed in 2012 into its operations mainly by training its staff. This move is expected to result in higher tax revenues as Government intends conducting extensive transfer pricing audits commencing early 2014 which it hopes will lead to a reduction in transfer pricing abuses.

The focus on transfer pricing stems from Government's view that there is a material loss of tax revenue a result of transfer pricing abuses and audits are being proposed to uncover abuses.

The GRA has selected a number of taxpayers to file transfer pricing returns as part of their streamlining processes. It is unclear whether the audits to be carried out as indicated in the budget, will cover all taxpayers who have related party transactions or only those who have been selected to file transfer pricing returns.

There also seems to be a high expectation that the impending transfer pricing audits will lead to a significant increase in tax revenues, on the basis that transfer pricing abuse already exists, and that these occurrences will be reduced. This may however be an inaccurate assessment of the current situation, and actual tax revenues realised as a result of this exercise may be lower than expected.

Windfall Profit Tax

The Minister of Finance indicated that the Windfall Profit Tax will be reintroduced to Parliament. There are likely to be revisions to the Bill that will be presented to parliament since a committee is currently reviewing stability agreements, incentives and the windfall profit tax itself, in consultation with civil society groups.

The passing of this law still seems to be on Government's agenda as it has featured in previous budgets. Previously, the Chamber of Mines and mining companies shared concerns around the approach to calculating the tax. It is expected that the bill to be re-introduced to Parliament will address these concerns.

It is also unlikely that the bill, if passed into law will result in any additional tax revenues given the falling prices of gold as well as increased mining related costs.

Withholding on management fee to increase to 20%

National Fiscal Stabilisation Levy

Proposals to review the tax rate of free zones enterprises

Proposal to introduce a Construction Industry Scheme to regulate payments to subcontractors in the industry

The GRA is to revamp a reward scheme in an effort to increase the recovery of taxes and penalties and the general public is encouraged to provide information leading to the recovery of tax

Management and Technical Service Fees

The withholding tax rate on management and technical service fees is set to increase from 15% to 20%.

The change in rate is quite unexpected especially since the rate was originally 20% but was revised downwards a few years ago to 15% to be at par with the non-resident income tax rate. This proposal if passed will create a disparity between the management fee rate (20%) and the non-resident income tax rate (15%). We envisage some pressure on Government to negotiate additional double tax treaties for more favourable rates to be agreed.

Construction Industry Scheme

Government intends introducing a Construction Industry Scheme (CIS) in 2014 to regulate payments made by contractors to subcontractors in the building and other related businesses with particular reference to self-employed subcontractors. The purpose of the scheme is to determine how to treat these payments for tax purposes.

Payments by contractors to subcontractors in the building industry is currently subject to withholding tax at 5% (except where exempt) with subcontractors going ahead to pay corporate income tax at 25% on chargeable income. The scheme could be one of Government's measures to widen the tax bracket and ensure that the correct taxes are paid.

The scheme will be expected to clearly define who qualifies as a contractor or subcontractor amongst other relevant details.

Reward to Informants

Government proposes to revamp a GRA scheme where rewards are paid to individuals who report suspected tax evasion and corruption after successful collection of duties and penalties, reassessment of evaded or avoided taxes and under-declaration of VAT. Ghanaians are urged to assist in the fight against duty evasion, tax evasion and corruption as a patriotic duty.

It is expected that steps will be taken to protect members of the general public who act as informants to the GRA.

Further, GRA will need to put in place clear processes and procedures in relation to the scheme so that businesses are not subject to unnecessary scrutiny.

National Fiscal Stabilisation Levy (NFSL)

The NFSL which was initially scheduled to end in December 2014 will now end in June 2014.

The NFSL was introduced to aid in closing the fiscal gap by generating additional Government revenue. However, with the various new fiscal measures outlined in the 2014 budget, it is likely that Government has identified alternative sources of revenue and is terminating the NFSL earlier than planned.

Reviewing the tax rate for free zones enterprises

Currently, the Free Zone Act provides that Free Zone Enterprises enjoy a 10 year Corporate Income Tax holiday as an incentive for registering under the Free Zones Scheme. After the expiration of the tax holiday, Free Zone Enterprises are entitled to pay Corporate Income Tax (CIT) at a rate of not more than 8% of chargeable income in line with the rate applicable for income from non-traditional exports of companies in the domestic territory of Ghana. Further, Free Zone Enterprises are permitted to sell 30% of their goods or services in the domestic market of Ghana.

Non-Free Zone Enterprises pay CIT at a rate of 25% of their chargeable income.

This CIT rate disparity in relation to domestic sales in Ghana (8% versus 25%) appears to provide Free Zone Enterprises with an unfair advantage.

The proposed amendment seeks to even the playing field. The domestic sales of goods and services by Free Zone Enterprises will be taxable at the same rate as supplies from Non-Free Zone Enterprises while exports sales continue to be taxed at the concessional Corporate Income Tax Rate capped at 8%.

The proposed review of the Free Zones Act seems to be aimed at tightening any fiscal loopholes that currently exist and which have created unfair advantages for Free Zone Enterprises to the detriment of Non-Free Zone Enterprises. The Free Zone concept was created to encourage exports from Ghana thereby expanding the manufacturing sector with an indirect result of creating employment opportunities. The proposed revision to the CIT Rate for domestic sales stays true to this concept.

Capital gains to be introduced to the petroleum sector.

Taxation of Capital Gains for Petroleum Operations

Government proposes to apply the provisions of the Internal Revenue Act, 2000 (Act 592) (IRA) relating to Capital Gains Tax (CGT) to petroleum operations. The IRA provides that CGT is applicable on gains realised as a result of the sale of chargeable assets including business assets and shares of a resident company. Currently, the Petroleum Income Tax Law (PITL) provides that CGT shall not apply to petroleum operations.

By applying CGT to petroleum operations, Government is likely to increase revenue by widening the scope of CGT. The challenge will be to identify and define petroleum assets which would qualify as chargeable assets, the types of transactions and their basis of calculation. Also, harmonisation of the IRA, PITL and Petroleum Agreements with respect to CGT, will need to be carefully conducted to prevent any contradictory provisions.

The proposed taxation of capital gains for petroleum operations is in line with similar developments across Africa and may boost Government's revenue generating efforts.



VAT increased to 15%

Additional VAT Collection to Support Infrastructure and Development

Parliament on 15 November approved a new VAT Act which increased the VAT rate from 12.5% to 15% (excluding 2.5% for NHIL). The budget proposes to dedicate the additional 2.5% VAT collection to on-going infrastructure and developments under the proposed Infra Fund.

The increase in VAT will impact prices of goods and services and has the potential of pushing up inflation.

Waiver of taxes for export oriented manufacturers

There is no doubt that Government has an objective to increase VAT collection. Out of the total taxes on domestic goods and services, VAT is expected to generate GH¢ 4,874.9 million which is about 29.4% above the 2013 estimate and 45.6% above the 2013 projected out-turn.

Exemption from raw materials imported for the local production of textbooks, exercise books, and HIV/AIDS drugs

While acknowledging that the VAT mechanism is more efficient and that the level of accountability leaves little room for doubt, Government seems to believe that loopholes continue to exist in the VAT system which need to be blocked. The expectation of increased VAT revenue appears to suggest that Government will take steps to block the tax loopholes in 2014. One of such proposals may be the implementation of electronic point of sale devices.

Verifications of sales using special electronic point of sale devices.

Reducing VAT Leakages through the use of Special EPOS

As part of efforts to reduce tax loopholes in the system, proposals will be submitted to parliament in the year seeking to enforce the use of electronic point of sale (EPOS) devices verifiable by the tax authorities.

This is one of the proposals to reduce tax revenue leakages. The implementation of EPOS may have been one of the factors that informed the expected increase in VAT revenue in 2014.

Special import levy ends by December 2014

The timing of implementation needs careful consideration. It would be important that the required proposals are put before parliament and approved early enough to allow enough time for implementation including ensuring adequate taxpayer education.

SIL exemption for agriculture and fishing inputs, medical supplies, educational materials, and energy bulbs in 2014

Delays with the approval and implementation process may cause that the expected benefit of increased VAT revenue would rather accrue to future fiscal years—2015 and beyond. However, the question remain as to the to the preparedness of the GRA to introduce this scheme as this may require some technical training for GRA staff.

Maintaining Socially Sensitive VAT Exemptions and Promoting Manufacturing for exports.

The budget proposal tacitly acknowledges the importance of using the VAT mechanism to socially vulnerable groups by exempting products from agriculture and fishing sectors, health, education and transportation are exempt from VAT. *It is expected that the exemptions existing in the new VAT Act will be maintained.*

As additional incentive for export production, the waiver of taxes on raw materials for export oriented manufacturing would be introduced. *The waiver is expected to cover VAT.*

Duty and VAT Exemption on Raw Materials for Local Production of Text and Exercise Books and on Raw Materials for Manufacturing HIV/AIDS drugs

Import duty and VAT waiver/exemption for raw materials imported for local printing of textbooks and exercise books through tenders administered by the Ministry of Education. This is being done as part of measures to make the local industries competitive.

There is also import duty and VAT exemption for raw materials imported for local production of HIV/AIDS drugs under the supervision of the Ministry of Health.

The above initiatives also align with the MDGs.

The Ministries of Education and Health would be expected to put appropriate procedures in place as well as determine the level of logistical support is required to assist these local manufacturers.

Modification to the Enforcement of the Special Import Levy

With a commitment to maintain Ghana's liberal tax regime, the Special Import Levy (SIL) which was scheduled to end in June 2015 will now end by December 2014.

In the meantime, a proposal is made to provide SIL exemption for 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.

The proposal to termination of SIL early (and also NFSL even earlier) appears to suggest that Government expects improvement in the

Tax stamps on selected excisable products in 2014

second half of 2014.

Introduction of tax stamps to collect excise taxes.

Collections from excise duty is expected to increase in 2014. Out of the total taxes on domestic goods and services, excise tax revenue is expected to be GH¢ 1,205.8 million—about 33.4% above the 2013 estimate and 40.3% above the 2013 projected outturn. It is unclear how the implementation of tax stamps contribute to this increased excise duty collection. This move could potentially improve tax collection and ultimately the cash-flow position of the GRA.

Government intends to introduce tax stamps this year on selected excisable products as part of measures on enforcing compliance. The modalities for implementation are left to be determined by the Ministry of Finance in consultation with the Ministry of Trade and Industry and other stakeholders.

Like other revenue mobilisation initiatives, it is important that they are implemented early in the year in order that the expected benefits will inure before the end of 2014.

Fuel taxes to increase through petroleum excise duty and road fund levy adjustments

Marginal increases in fuel taxes.

A proposal to change the basis of petroleum excise duty from specific to ad-valorem in order to align with current excise tax regime. In addition, there is a proposal to marginally increase in the road fund levy. This will result in a slight increase in the ex-pump price for premium and gas oil.

The effect of fuel price increases reaches almost all sectors within the economy particularly because of transportation which affects most economic activities and has the potential of increasing inflation.

ECOWAS CET regime to begin 1 January 2015

Government should manage adjustments carefully to ensure that the effects are controlled.

ECOWAS Common External Tariff

The final decision on the CET was ratified on 25 October 2013 at the Extra-Ordinary Summit in Dakar Senegal. It was decided that the full implementation of the Ecowas tariff regime should commence on 1 January 2015. Ghana, like other member states, will have to ratify the ECOWAS CET through Parliament before 1 January 2015.

The tariff regime prescribes import duty rates ranging between 0% and 35%. This applies to imports by member states from third countries.

Harmonisation of the tax laws into a Tax Administration Bill

Tax Administration

A number of administrative reforms are also being considered. These include:

- Harmonisation and simplification of the existing tax laws into a single Tax Administration Bill

Government has reiterated its objective of harmonising the tax administration laws into a single Tax Administration Bill.

This is aimed towards enhancing the work of GRA as a one-stop shop for all tax issues in the country.

When this all-inclusive Law is passed, it is expected that there would be improved efficiencies in the general tax administration processes.

- Review of existing exemptions granted in duties and other taxes

There are proposals to review existing tax exemptions as this has been identified by Government as one of the areas it appears to be losing revenue.

This is an attempt by Government to tighten potential loopholes and to raise additional tax revenue as applicable.

This move may result in some existing tax exemption agreements being terminated (as permitted in the contracts) and new applications for exemptions may not be easily granted.

The potential risk here is that where Government is perceived to be aggressively pursuing revenue generation (in the form of increased taxes and minimal or no exemptions/incentives), this may erode investors' confidence and Ghana may no longer be seen to be the preferred investment/business destination for foreign investors (including) multinationals.

Government might wish to reconsider this agenda to ensure there is a fair balance between its drive to generate tax revenue and attract foreign direct investment.

- The Customs Division of the GRA to improve its Valuation competencies under the Valuation Assurance Programme (VAP)

Currently the Customs Division of the GRA charges import duties and VAT on imports based on the values provided to it by approved

Destination Inspection Companies. However, Customs is taking steps to improve the coverage of items under the VAP programme with the ultimate aim of developing its own valuation module.

This move will result in improved efficiencies in the clearing system as Customs will be in charge of all the port clearing processes.

- Automation and improvement in the operational processes of the GRA

This is in line with the GRA's long-term objective of automating its administrative processes and procedures.

- Establishment of Free Income Tax Assessment Bureau (FITAB)

FITB will be set up in the Small Tax Payers Offices of the GRA or at standalone locations where the concentration of informal sector operators is high.

FITAB would assist traders (and other small businesses), who are not required by Law to prepare audited accounts, with basic record keeping.

This initiative would enable the GRA widen the tax bracket and levy the right amount of taxes on small businesses (especially in the informal sector).

- Implementation and review of the provisions in the Petroleum Revenue Management Act, 2011 (Act 815) regarding the allocation and distribution of funds

Government will review issues involving petroleum benchmark revenue, qualify instruments, and membership of the Public Interest and Accountability Committee (PIAC).

It is expected that Parliament will make amendments to the Petroleum Revenue Management Act, 2011 (Act 815).

FITAB to assist small traders with basic record keeping

Review of existing tax exemptions granted

Customs to improve in its valuation competencies

Government will continue to address challenges facing the mechanisation of agriculture along the value chain

Government to facilitate the passage of the Land and Land Use Planning Acts and improve customary land administration throughout the country

The ministry will focus on improving competitiveness of industry domestically and globally with the aim of propelling the private sector to assume leadership in industry and job creation

ECONOMIC SECTOR

Food and Agriculture 2014 Outlook

The importance of the Agriculture Sector in the socio-economic development of Ghana cannot be over-emphasised. It is in this light that the 2014 Budget re-affirms Government's commitment to accelerate the modernisation of agriculture in a bid to improve the economy through the use of technology and research.

The key initiatives include:

- Implementation of the Block Farm, Live-stock, Poultry and Agri-business initiatives under the Youth in Agriculture Programme;
- Facilitate the expansion of private sector led Agricultural Mechanisation Services Enterprise Centres;
- Construction of modern farmer's markets in the Brong Ahafo and Northern Regions to focus on grains and tubers respectively;
- Private partnership arrangements and collaboration to develop Agriculture Estates on the Accra plains and other existing state lands; and
- Scaling up the Agricultural insurance scheme to cover more crops, regions and consequently protect farmers against losses.

The Agriculture sector accounts for 22% of GDP and 50% employment of the economically active population. It is worth noting that this sector is showing signs of recovery, albeit modest from a marginal position of 0.8% in 2011 to 3.4% in 2013. This sector has a significant employment potential particularly for the youth. Initiatives to expand the Youth in Agriculture Programme and the creation of modern markets are therefore employment centred growth strategies which would ensure that employment is expanded with production.

Ministry of Lands and Natural Resources

Government is committed to ensuring the effective and efficient management of the nation's resources for the socio-economic growth and development of the country.

The key initiatives to be undertaken during the year include:

- The facilitation of the passage of the Land and Land Use Planning Acts;
- Refurbish and automate selected Courts in Sekondi-Takoradi, Tamale and Kumasi;
- Establishment of 10 customary land Secretariats to improve customary land administration;
- Assisting the Land Title Registry in Accra to clear backlog of applications for land registration; and
- Further implementation of the Land Administration Project (LAP).

In addition to infrastructure development and a favourable regulatory environment, land ownership and administration is critical to accelerating the commercial fortunes of the economy. Access to land, and land security in particular poses a barrier to foreign investors.

The private sector, which is key in Government's national priority of building a robust and resilient economy, needs to have access to institutional support in the area of land ownership and administration especially in both urban and rural areas where land title registration processes can be cumbersome.

Ministry of Trade and Industry

Initiatives to be undertaken during the year include:

- Management and marketing support for 1,500 horticultural producers in selected towns in the Volta Region;
- Development of skills of 1,000 exporters particularly in the SME sector to enable them succeed in foreign markets;
- Establishment of new market opportunities for exporters especially in the European Market; and
- Setting up a new SME fund to boost support for SMEs.

Government should continue to establish Ghana as a major manufacturing, value added, financial and commercial hub in West Africa by pursuing the above programs that would propel the private sector to partner Government and create jobs.

The ministry will continue to facilitate the enabling legal and social environment to further develop the tourism sector and increase its potential for revenue generation

Ministry of Tourism

Government intends developing the tourism potential to create employment opportunities. Key initiatives highlighted in the budget are:

- Organising the National Festival of Arts and Culture as part of efforts to showcase Ghana's rich culture; and
- Establishment of a legal and regulatory framework for the development and promotion of Creative Arts.

The attraction of Ghana as a tourist destination has not been fully exploited by Government. Marketing and aggressive promotion of the country in key markets will increase Ghana's competitiveness on the international market.

Ministry of Energy

In 2013 Ghana experienced a power crisis which affected the economy as a whole and continues to be an issue hampering development. The Budget affirms Government's resolve to develop and ensure reliable high quality energy services at a minimum cost to all sectors of the economy through the formulation, implementation, monitoring and evaluation of energy sector policies. The following initiatives have been highlighted in the 2014 Budget:

Petroleum Sub Sector

- The development of a framework to provide a basis for the construction, operation and maintenance of Liquefied Natural Gas (LNG) facility in Ghana to meet anticipated shortfalls in gas supplies for power generation; and
- The upstream petroleum subsector to attain peak oil production of 120,000 barrels of oil per day in the Jubilee Field.

Power Sub Sector

- The expected installed capacity will increase by 342MW with the completion of the first phase of 220MW Kpone Thermal Power Plant (KTPP), 110MW T2(Tico Expansion) and VRA 12MW Solar PV Project;
- Completion of 161KV Tumu-Han-Wa Transmission Project to enhance power transmission;
- Completion of the following ongoing projects:

- ◆ The construction of ECG 33/11KV primary sub-station at Fawode, Achiase, New Dansoman and Anyinam in Ashanti Region
- ◆ 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 systems and the supply and installation of a Commercial Management System for ECG.

- Increase electricity access from 75% to 80% in 2014. A total of 1,385 communities to be connected to the national grid under the 'Energy for all Programme' through the Self Help Electrification Project (SHEP) and Ghana Energy Development and Access Project (GEDAP).

Building a strong and resilient economy as a core developmental agenda should be driven by a sustainable supply of energy and power. The energy crisis experienced in recent times demonstrates the inadequacy of supply to meet the rising demand. Though a number of medium to long-term initiatives have been put in place to address these energy challenges, the anticipated demand as a result of Ghana's growing economy needs to be considered and adequately met over time to enhance its middle income status. In addition, the weak infrastructural systems in the energy sector makes establishing business in Ghana difficult.

Ghana requires \$1.7 billion to meet its quest for universal access to power, and government has received \$966.55 million from bilateral and multilateral institutions in that regard. There is a shortfall of \$729 million. It is a relief to note that the entire MCA Compact 2 fund is expected to be channelled to power generation which could potentially lead to growth and expansion within the industry sector.

The upstream petroleum subsector to attain peak oil production of 120,000 barrels of oil per day in the Jubilee Field.

70,000 split pre-paid metres to replace credit metres within ECG's systems.

The ministry will continue to provide the necessary platform for transparent engagement of all stakeholders in the mining sector

Mining

Mining continues to be Ghana's second largest foreign exchange earner. Key initiatives in the sector include:

- Facilitating the establishment of a small scale mining competency training centre at the University of Mines and Technology, Tarkwa to offer training to small-scale miners in proper mining practices.
- Promote Alternative Livelihood Projects in mining communities based on the success of the Prestea-Huni Valley Pilot Oil Palm Plantation Project. Establish a 23,000 acres of oil palm plantation in the Dunkwa-Ayanfuri area of the Central Region to promote this initiative

The small-scale mining sector provides employment to over 200,000 Ghanaian miners; however activities continue to threaten the environment, health and safety if not adequately regulated.

The small scale mining competency centres will teach operators how to mine in a manner that the environment won't be degraded and would also go some way to regulating these operators and making them more law abiding. The Alternate Livelihood Projects will boost agriculture in these regions and would also diversify the sources of income of the people in these communities.

SOCIAL SECTOR

Government has instituted initiatives and commenced activities with a focus on improving the productive and technical capacity of people. These initiatives include the provision of quality education, health care, social security and protection. These areas continue to play a crucial role in attaining middle income status and improving the standard of living. They historically receive substantial budget allocations.

Ministry of Education

Government intends to increase access to education and also increase infrastructure in the sector to drive and support socio-economic growth and national development by implementing the following initiatives:

- Increase access to education through distance learning, interactive lessons and open schooling;
- Deployment of personnel to the education sector to improve quality and enhance efficiency of education service delivery;

- Increase enrolment in schools by providing logistics (ICT, libraries) and accessories (text books, exercise, uniforms) to rural communities;
- Improve affordability by subsidising basic education for JHS, SHS and technical training;
- Develop competency-based curricula at the tertiary level (mainly polytechnics) and achieve gender parity in education in line with the national agenda of 50:50

A budgetary allocation of about 15% (GH¢5bn) is available to the education sector. The initiatives outlined above should go some way to address the professional skills gap, quality of education, and should also support Government policy on Local Content. The desired level of expansion and improved access to education places on Government, the critical requirement for more qualified and well-motivated teachers. However, teacher remuneration throughout primary, secondary and tertiary education has been a concern in the sector, and is directly linked to the questions around the wage bill.

Ministry of Employment and Labour Relations

Government is focused on accelerating employment creation and promoting vocational and technical skills in the economy. Plans to achieve these include:

- Implement labour market information to provide information for effective planning;
- Provide vocational and technical skills by apprenticeship or 'learning by doing' approach to both formal and informal sectors;
- Roll-out labour intensive public works policy framework and National Employment to enhance job creation;
- Implement policy which link compensation and productivity especially in the public service.

To bridge the employment gap, there is the need for Government to coordinate job creation and employment initiatives which are responsive to the high unemployment rate, especially among the youth. Although the country has been on a growth path, peaking in 2011, youth unemployment especially is on the ascendancy.

Although initiatives to scale up vocational training and enhance the quality of labour market data are steps in the right direction, there is the urgent need to increase investments in agriculture.

To ensure that the dividends of growth are widely shared through better jobs opportunities and enhanced incomes, especially for the growing unemployed youth.

Ministry of Youth and Sports

As part of plans to develop the capacity of the youth and integrate them into national development, Government plans to:

- Enact a Sports Law to replace the Sports Act (SMCD 54) and ensure effective implementation;
- Improve sports infrastructure through Public-Private Partnership arrangements; Provide resources (GH¢3.3 million) to 33 sports associations to facilitate activities

Formulation of a National Sports Policy is laudable to enable the Ministry harness the sporting potential among the youth. Provision of financial resources to facilitate activities is also useful to increase youth participation, however allocation of the budget remains modest as against the development needs of the sector.

Ministry of Health

The Health Sector is traditionally one of the sectors that receive substantial allocation as it continues to be faced with multiple challenges. As part of this Budget, Government will carry out the following actions to improve access to health, service quality, increase personnel, and enhance working conditions across the various professions in the sector:

- Strengthen public financial management and health data collection;
- Improve monitoring and supervision of digital e-health solution and replace equipment in selected health facilities;
- Accelerate maternal health support programme to improve maternal health; Scale up membership authentication and the e-claims systems to enhance efficiency and reduce false claims;

- Increase health care infrastructure by constructing polyclinics in the various regions of Ghana as well expanding Korle-Bu teaching hospital; and
- Bridge equity gaps in access to health care and ensure sustainable financing arrangements to protect the poor;

A total of 10% (GH¢3bn) of the overall budget has been allocated to the sector, indicating the priority given by Government. It is expected that expanding the health sector will provide a variety of options to health services. While, Government aims at increasing health care facilities, there is the need to institute long term programmes which will retain expertise and also provide technology required for the health sector. There is also the critical need for an effective public health financial management systems to be put in place to address systemic waste and inefficiencies.

Ministry of Gender, Children and Social protection

The Ministry will finalise and disseminate the National Child Protection Policy as well as review and implement the Early Childhood Care and Development Policy. It will also promote the rights of children by creating awareness in communities and among stakeholders.

- Government is also developing an M&E Framework and Manuals for Livelihood Empowerment Against Poverty (LEAP)to track progress, identify gaps and design timely interventions for implementation.
- In 2014, the Ministry will expand the implementation of the LEAP, to cover over 100,000 household beneficiaries.
- Under the Domestic Violence (DV) and Human Trafficking (HT) programme, the Ministry will set up and operationalise the HT and DV Funds, operationalise rapid response teams for HT and DV matters and provide professional psychosocial support for HT and DV victims.

It is the intention of Government to strengthen public financial management and health data collection.

The implementation of the National Child Protection Policy and the Early Childhood Care and Development Policy is a laudable initiative especially given that the 2010 Ghana Population and Housing Census revealed that 13.6% of the population is aged between 0-4 years. Challenges remain access to basic facilities such as health care and education for both women and children, which ties in with other policies on education and poverty alleviation.

INFRASTRUCTURE

The viability of business as well as access to social amenities are constrained by infrastructure deficits. Government continues to pursue the PPP model to close the infrastructure deficit

According to the 2012 Global Competitive Report (GCR), published by the World Economic Forum “inadequate supply of physical infrastructure ranked as Ghana’s 5th most important weakness, placing the country behind the best performing countries in Africa in terms of quality of infrastructure”. Government in recognition of the infrastructure challenges has identified infrastructure expansion as a key national priority which needs to be addressed to achieve a more lasting and stable growth. In line with the theme of “Re-aligning the Budget to meet key National Priorities”, the 2014 Budget has introduced measures to drive the infrastructure sector.

The 2014 budget allocates GH¢ 1.5 billion to infrastructure. The main areas of infrastructure expansion in the 2014 budget are Water Resources, Works and Housing, Transport, Roads and Highways and Communications. Government intends to pursue Public Private Partnerships to fund some of the infrastructure projects.

Policy Announcements/Initiatives Water

In the 2014 budget, programs to be implemented for the supply of water include the following:

- *Developing of projects targeted to expanding and rehabilitating of water treatment plants, transmission pipelines, expansion of water supply systems and intake facilities;*
- *Improving access to water and sanitation for 600,000 people in 66 districts in selected regions;*
- *Developing protocols between Ghana and Cote d’Ivoire for the management of the Tano and Bia river basins; and*
- *Developing a rain water harvesting strategy as a supplement to water service delivery.*

Ghana continues to suffer a significant deficit in the supply of potable water to both urban and rural communities. According to the multi-donor Africa MDG assessment, access to improved water sources is 56%. It is estimated that an amount of US\$237Million is required in capital investment to meet the MDG target of 77% by 2015. (AMCOW Country Status Report)

The 2014 budget allocates GH¢ 531Million for both water and sanitation. It is worth noting that 81% of this allocation (GH¢ 435Million) is expected to be funded by Development Partners (DPs). Given that inflows from DPs have decreased in recent times, the risk to achieving this budgeted target is high.

One of the laudable initiatives related to water supply in the 2013 budget was the development of a Rainwater Harvesting Strategy. The 2014 budget is however silent on the achievement of this objective. Given the current challenges with water supply, we urge Government to continue to develop non-traditional sources of water to supplement the current water supply.

Housing

The budget focuses on reducing the housing deficit across the country and this would be achieved by pursuing the following initiatives:

- *Creation of enabling environment for private sector participation to deliver affordable housing units;*
- *Improvement of mortgage affordability in the country;*
- *Facilitating the completion of the various housing projects;*
- *Routine maintenance of the lower and upper sections of the Korle Lagoon to bring life into the ecosystem; and*

The housing deficit in Ghana is estimated at 1.6million. The current annual production capacity is 400,000 units against a requirement of 100,000 units. (Business Ghana Report - 17 July 2013). In the 2013 budget statement, Government acknowledged that the development of commercial properties had become more attractive to investors to the detriment of residential properties. In an attempt to encourage the development of residential properties, the 2014 budget has increased the withholding tax on commercial properties by 3% from 8% to 15%. To achieve the objective of increasing private sector participation however, other factors such as land acquisition and counter-part funding should be streamlined.

The other significant initiative in the housing sector is the need to improve mortgage affordability. Even though the budget statement did not provide additional information on how this would be achieved it is encouraging to note that this has been highlighted since mortgage affordability is a significant bottleneck in acquiring residential property .

Roads and Highways

Road transport is by far the most important means of moving freight in Ghana and is the sector that requires the greatest consideration. The proposed initiatives in the 2014 Budget are supportive of increasing market access, specifically in the rural areas, reduction of transport costs and overall ease of transportation of goods and people throughout the country. In order to achieve these objectives the following key initiatives have been identified:

- Developing the Public Private Partnership (PPP) model for the financing, construction and management of the Accra-Tema Motorway rehabilitation and expansion, Accra – Kumasi dualisation and the Western Corridor roads Phase 1 (Elubo-Sunyani) road projects;
- Routine maintenance on 11,600km, 16,000km feeder and 4,200km urban road networks and periodic maintenance activities on 892km trunk, 1500km feeder and 1200km urban roads of the trunk road network and minor rehabilitation works of 625km trunk, 1,425km feeder and 200km urban roads;
- Construction of selected trunk roads, rural roads and urban roads;
- Implementation of electronic tolling of roads to improve revenue generation into the Road Fund;
- Reduction of overloaded vehicles weighed at Permanent Axle Weigh Bridge Stations to 15 percent; and
- Installation and maintenance of 60 traffic signals and 21 road safety hazard sites across the country.

Over the years, the most significant implementation challenge for infrastructure projects has been the lack of resources. Government in recognition of this challenge is pursuing the use of the Public Private Partnership (PPP) model for financing infrastructure projects particularly for road infrastructure. PPP as a model to financing has received sufficient attention in previous budget and policy announcements. The question to ask is how successful PPP has been in financing infrastructure projects.

The answer to this question is very important as it appears that achieving the infrastructure targets, as well as other priorities highlighted in the 2014 Budget hinges on the success of these PPP models in particular. Although there is no sufficient data available yet on past PPP initiatives, it is acknowledged that a number of bottlenecks such as the long gestation and procurement process, availability of specialist skills and counterpart funding have hampered the success of PPP projects. Efforts have been made to strengthen the PPP unit to appropriately oversee PPP investments; however the areas of counterpart funding and procurement process could still hamper overall effectiveness.

Transport

The Sector objectives are to provide an integrated, efficient, cost-effective and sustainable transport system responsive to the needs of growth and poverty reduction. The emphasis of the 2014 Budget for the ministry includes the following:

- Expansion of the Kotoka International Airport (KIA) terminal building project;
- Construction works on the upgrade of the Tamale Airport as an alternate to KIA;
- Construction of 11 Fish Landing Sites at selected areas;
- Development of the ports infrastructure at Akosombo, Buipe and Yapei;
- Procurement of appropriate Vessels and equipment to improve transportation services on the Volta Lake;
- Continuation of rehabilitation and modernisation of existing railway lines;
- Development of the Eastern Railway Line and the Boankra Inland Port using the PPP arrangement; and
- Continuation with the implementation of the Road Safety Strategic Plan which specifies programmes and activities to be undertaken by road safety implementing agencies in the country.

Government has made significant progress in modernising its ports sector and is committed to making further improvements. In spite of this, the ports are struggling to keep up with the demands of the expanding economy. The Boankra Inland port and the Eastern Railway Line should be developed in order to ease the congestion at the Tema and Takoradi ports.

With growing incomes and more foreign companies establishing themselves in Ghana, Kotoka International Airport (KIA) requires significant investment to make it the regional leader.

The railways network currently handles less than 2% of freight and passenger traffic. In recent years, the Ghana Railway Company (GRC) has been increasingly unable to carry the full volume of mining traffic and a growing share of minerals is being diverted to the road network. This is severely limiting development of the mining sector in the Western region and it will clearly not be able to support the development of the emerging oil and gas industry. Government should make rail transport a priority for the transportation of freight.

Communication

The Communications Sector objective is to develop a reliable and cost effective world class communications infrastructure and services accessible by all citizens to enhance the promotion of economic competitiveness in a knowledge-based environment. The policy initiatives are:

- Development and maintenance of an educational portal for teachers, students, parents and researchers, expecting that quality education will be delivered to the doorsteps of all particularly those in underprivileged communities;
- Implementation of the e-Parliamentary System, under which members will be able to file their queries to the Executive;
- Continuation of the fibre optic infrastructure and the construction of a data centre and a managed services component to ensure security of data on the entire network;
- Upgrade and rollout of e-Government infrastructure;
- Implementation and deployment of a well-functioning unique national biometric ID system, under the e-Transform project;

GIFMIS to serve as a single source system for official budget preparation and management.

- Refurbishment of the old PWD warehouses into a Grade A facility as a fast track solution to meet urgent real estates' needs; and
- Continuation of fibre Optic Broadband Backbone infrastructure on the Eastern corridor to accelerate development and access to Information and Communication Technology (ICT).

It is worth noting that a major objective of ICT initiatives highlighted in the 2014 budget is aimed at facilitating communication to improve productivity and make public service more responsive to the citizenry.

ADMINISTRATIVE SECTOR

Government is continuing its commitment to public and administrative reform, for effective management of its administration. A number of key strategic areas are undergoing or commencing reform and modernisation.

Ministry of Finance and Economic Planning

- The implementation of GIFMIS will serve as a single source system for official budget preparation and management, cash and treasury management, purchase ordering and payments, and financial control and reporting. In an effort to conform to international standards in human resource management, Government is reviewing and remodelling past and outmoded procedures and processes.
- A total of 12 sub-vented agencies which have the capacity to be on their own with regard to payment of their personal emoluments have been identified to be weaned-off Government subvention.
- The Office of the Head of Civil Service organised a sensitisation workshop for MDAs aimed at improving performance assessment reporting. The Office of the Head of Civil Service will develop comprehensive human resource and training plans to aid the professional development of Civil Servants and operationalise the Annual Performance Reporting System.

Upgrade of payroll system to enhance efficiency and transparency

GRA to block loop holes in tax administration and widen tax net

Introduction of human resource and performance management systems to increase efficiency and human resource management in the public sector.

These efforts are focused on increasing public sector service delivery and reducing transactions costs. The weaning off of agencies as a cost saving measure is laudable; however quality of service delivery should be maintained.

Ghana Revenue Authority

Ghana Revenue Authority (GRA) will continue its tax modernisation programme to ensure the recovery of uncollected taxes. The measures include:

- Plugging of leakages and loopholes in tax administration
- Widen the tax net
- Undertake direct tax audit
- Intensify customs post clearance reconciliation,
- Intensify VAT reconciliation
- Improve payroll tax auditing

In the 2013 State of the Nation Address, it was mentioned that GRA and other agencies have been tasked to help raise tax and non-tax revenues to levels that befit our emerging Lower Middle-Income Country status. The modernisation effort is anticipated to contribute to an increase in revenue, as Government strives to close the budget deficit of 8.4% of GDP as at September 2013.

Public Services Commission

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. The 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.

The HRMS will increase efficiency in the administrative machinery by strengthening the overall capacity of the public service for effective service delivery. Weaning off of a number of agencies should serve as a cost saving measure, whilst maintaining their efficiency in delivering services to the public.

Controller and Accountant General Department (“CAGD”)

- Fair Wages and Salaries Commission will collaborate with the Controller and Accountant General Department (CAGD) and the Head of Civil Service to carry out a national payroll survey that will rationalise nominal roll with the 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.
- CAGD is also upgrading the payroll system; this will contribute to efficiency and performance by minimizing human intervention, with the implementation of the Electronic Salary Payment Voucher System (ESPV).

The migration of Public service institutions onto the Single Spine Salary Structure has come with a significant increase in Government’s wage bill. Ghana spends a total of 60.9% of its national revenue to pay public servants’ salaries. Short-to-medium term measures have to be taken to ensure the sustainability of this policy, and to rebalance spending, while ensuring quality of public service delivery.

PUBLIC SAFETY SECTOR

Ministry of Justice and Attorney-General’s Department

The Law Reform Commission produced three draft reports for consideration. These are the Criminal Injuries Compensation Law, Marriage Registration Law and the Law Reform Act. The Intestate Succession Bill and Property Rights of Spouses Bill are being reviewed by the Law Reform Commission to correct the anomalies in the current Regulations.

As part of the Legal education programme, the General Legal Council will license 1,750 Lawyers and 300 law firms to aid proper regulation of private legal practice in Ghana. The Ghana School of Law will train 40 lawyers in specialised Commonwealth Legislative Drafting to aid the enactment of good laws.

Judicial Service

In line with Government’s determination to transform the Justice delivery system, the Ministry of Communications is assisting the Judicial Service to develop an e-Justice System to improve on the effectiveness and efficiency of justice delivery.

Activities towards the e-Justice System commenced in 2011 and now has been scaled up to include the Ministry of Justice and Attorney General's Department. The initiative will include Criminal Justice Information integration; core Court Management System, access to relevant legal software and institutional capacity building.

Under the Courts Administration Programme, the Judicial Service will continue the weekend Courts programme in Accra and also extend it to the Volta and Ashanti Regions. It will introduce the Commercial Court concept in the Circuit Courts; as a result of which additional court automation equipment and vehicles for the Superior and Lower Court Judges will be acquired.

Initiatives to automate and to make more efficient and timely, access to justice are laudable. The e-Justice System would serve as a good platform to increase efficiency and to reduce the cost of justice when it becomes fully operational.

Commission on Human Rights and Administrative Justice (CHRAJ)

The Commission completed the baseline survey and drafted the National Human Rights Action Plan to deal with the promotion and protection of fundamental rights in a comprehensive, holistic and systematic manner.

The National Human Rights Action Plan is an initiative which may clarify some of the misperceptions about the work of CHRAJ and also serve as a good basis to assess the performance of the Commission. With last year's elections, as well as the continued investigation into corruption cases, CHRAJ continues to play an important role in building accountability and transparency.

Ministry of Interior

- In 2014, the National Commission on Small Arms will intensify public education and awareness on armed violence and the National Arms Marking Project, mobilising blacksmiths into associations and will pursue the skills development and alternative livelihood schemes. The Commission will continue to sensitise, collect and destroy confiscated weapons from all regions.

- The National Peace Council (NPC) will organise training programmes for Regional and Districts Peace Councils to operationalise the NPC Act and also mediate in potential conflicts as well as create awareness on non-violent responses to conflicts.
- The Ghana Police Service will intensify the visibility project, as well as its 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.

The initiatives adopted by the Ministry of Interior should lead to an increased awareness of the citizenry of law and order in Ghana as well as to reduced disasters; initiatives on intelligence-led policing should make our systems more sophisticated and proactive to avert the occurrence of terrorist activities and mitigate armed robbery attacks.

Ministry of Defence

- The Ghana Navy will undertake the docking and maintenance of Naval platforms to enable it effectively protect the Nation's territorial waters and oil facilities.
- In 2014, the Ghana Armed Forces (GAF) will commence construction works on the 500 bed capacity Military Hospital in Kumasi.

The expansion of both oil and fishing activities in Ghana's waters calls for an increased level of vigilance and presence of the navy as the Gulf of Guinea becomes increasingly exposed to piracy.

Appendix 1 – Government revenue projections, outturns and variances for 2013 and 2014

Millions of Ghana cedis	2013 Budget	2013 Prog Q1-Q3	2013 Prov Q1-Q3	2013 Proj. Out- turn	2014 Budget	Var F=(E-A)	Var G=(D-A)
GOVERNMENT REVENUE	(A)	(B)	(C)	(D)	(E)	F=(E-A)	G=(D-A)
TAX REVENUE	17,091	12,122	10,005	15,130	20,351	3,260	-1,961
TAXES ON INCOME & PROPERTY	7,825	5,539	4,473	6,834	9,238	1,413	-991
Personal	2,908	2,070	1,736	2,506	3,462	554	-402
Self employed	232	175	127	191	250	18	-40
Companies	3,433	2,352	1,581	2,712	3,662	229	-721
Company taxes on oil	108	78	332	332	412	304	225
Others	1,144	864	697	1,092	1,453	308	-52
TAXES ON DOMESTIC GOODS AND SERVICES	5,576	4,003	3,403	4,991	7,062	1,486	-585
Excises	904	661	509	859	1,206	302	-44
Excise Duty	246	174	133	256	334	88	10
Petroleum tax	658	487	376	604	872	214	-54
VAT	3,768	2,686	2,291	3,348	4,875	1,107	-420
Domestic	1,483	1,059	937	1,278	1,894	411	-205
External	2,285	1,626	1,354	2,070	2,981	696	-215
National Health Insurance Levy (NHIL)	754	544	480	616	765	12	-137
Customs Collection	457	325	292	414	523	66	-43
Domestic Collection	297	219	187	202	242	-55	-94
Communication Service Tax	151	112	123	167	216	65	16
TAXES ON INTERNATIONAL TRADE	3,690	2,581	2,128	3,305	4,051	361	-384
Imports	2,594	1,827	1,561	2,357	3,087	493	-237
Import duty	2,594	1,827	1,561	2,357	3,087	493	-237
Exports	25	-	-	100	100	75	75
Cocoa	25	-	-	100	100	75	75
Import Exemptions	1,071	754	567	848	864	-207	-223
SOCIAL CONTRIBUTIONS	164	123	106	171	161	-3	7
SSNIT Contribution to NHIL	164	123	106	171	161	-3	7
NON-TAX REVENUE	4,020	3,041	3,223	4,242	4,343	323	222
Retention	2,864	2,256	1,867	2,493	2,806	-58	-371
Lodgement	1,156	785	1,356	1,749	1,537	381	593
DOMESTIC REVENUE	21,275	15,286	13,334	19,542	24,855	3,580	-1,732
GRANTS	1,258	1,056	534	1,258	1,131	-128	0
Project grants	455	339	282	455	805	351	0
Programme grants	457	457	45	457	325	-131	0
HIPC Assistance (multilaterals)	173	130	135	173	-	-173	0
Multilateral Debt Relief Initiative (MDRI)	174	130	72	174	-	-174	0
TOTAL REVENUE & GRANTS	22,533	16,342	13,868	20,801	25,986	3,453	-1,732

Appendix 2– Government revenue projections, outturns and variances for 2013 and 2014

Millions of Ghana cedis	2013 Budget	2013 Prog Q1-Q3	2013 Prov Q1-Q3	2013 Proj. Outturn	2014 Budget	Var F=(E-A)	Var G=(D-A)
GOVERNMENT EXPENDITURE	(A)	(B)	(C)	(D)	(E)	F=(E-A)	G=(D-A)
Compensation of Employees	9,004	6,733	6,602	9,721	10,597	1593	717
Wages & Salaries	7,465	5,577	5,884	8,539	8,968	1502	1073
Social Contributions	1,539	1,156	718	1,182	1,629	91	-357
Use of Goods and Services	1,742	1,080	657	1,045	1,530	-213	-697
<i>o/w ABFA from Oil (20% of ABFA)</i>	<i>105</i>	<i>75</i>	<i>40</i>	<i>105</i>	<i>-</i>	<i>-105</i>	<i>0</i>
Interest Payments	3,194	2,355	3,285	4,444	6,179	2984	1249
Domestic	2,574	1,932	2,843	3,791	5,203	2629	1217
External (Due)	620	423	442	652	976	356	32
Subsidies	1,022	999	302	1,267	50	-972	245
Subsidies to Utility Companies	795	771	282	1,147	-	-795	352
Subsidies on Petroleum products	228	228	20	120	50	-178	-108
Grants to Other Government Units	6,209	4,707	3,181	4,297	6,498	289	-1912
National Health Fund (NHF)	918	667	488	597	927	9	-321
Education Trust Fund	691	493	66	166	739	48	-525
Road Fund	207	155	153	183	227	20	-24
Petroleum Related Funds	10	7	3	8	6	-4	-2
Dist. Ass. Common Fund	1,149	812	312	424	1,370	220	-726
Retention of Internally-generated	2,864	2,256	1,867	2,493	2,806	-58	-371
Transfer to GNPC from Oil Revenue	369	316	292	426	424	54	57
Social Benefits	39	29	1	39	49	10	0
Lifeline consumers of electricity	39	29	1	39	49	10	0
Other Expenditure	1,798	1,339	1,249	1,575	864	-933	-223
Reserve Expenditure Vote	727	585	682	727	-	-727	0
Tax Expenditure (Exemptions)	1,071	754	567	848	864	-207	-223
Capital Expenditure	5,155	3,675	3,467	4,544	5,967	812	-611
Domestic financed	1,305	945	1,139	1,305	1,442	137	0
<i>o/w ABFA from Oil</i>	<i>422</i>	<i>322</i>	<i>105</i>	<i>316</i>	<i>900</i>	<i>478</i>	<i>-106</i>
Foreign financed	3,851	2,730	2,327	3,240	4,526	675	-611
TOTAL EXP. & NET LENDING	28,163	20,917	18,743	26,931	31,734	3570	-1232
APPROPRIATION	32,066	23,876	22,147	31,403	36,209	4144	-662
Total Expenditure	28,163	20,917	18,743	26,931	31,734	3570	-1232
Road Arrears	250	250	205	250	232	-18	0
Non-Road Arrears	1,820	1,323	1,798	1,977	2,584	764	157
Tax Refunds	311	220	135	227	407	96	-84
Amortisation	1,295	953	670	1,395	1,184	-112	100
Petroleum Funds and Conting. Fund	226	213	595	623	69	-157	397

ACRONYMS AND ABBREVIATIONS

ABFA	Annual Budget Funding Amount
AESOP	Annual Education Sector Operational Plan
AIDS	Acquired Immune Deficiency Syndrome
AMA	Accra Metropolitan Assembly
AML	Anti-Money laundering
AMSECs	Agricultural Mechanization Services Enterprise Centres
ARB	Association of Rural Banks
ART	Anti-Retroviral Treatment
AU	African Union
BACs	Business Advisory Centres
BECE	Basic Education Certificate Examination
BNI	Bureau of National Investigations
BOG	Bank of Ghana
bopd	barrels of oil per day
BPOs	Business Process Outsourcing
BR	Benchmark Revenue
CAPI	Carried and Participating Interest
CBT	Computer based theory
CDB	China Development Bank
CEDECOM	Central Regional Development Commission
CET	Common external Tariff
CFR	Case fatality rate
CHPS	Community Health Planning and services
COCOBOD	Ghana Cocoa Board
CODAPEC	Cocoa Disease and Pest Control
CPI	Consumer Price Index
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System
CSIR	Council for Scientific and Industrial Research
CSM	Cerebrospinal Meningitis
CSOs	Civil Society Organisations
CST	Communication Service Tax
CT	Computerized Tomography
DACF	District Assemblies Common Fund
DDF	District Development Fund
DPCU	District Planning Coordinating Unit
DSA	Debt Sustainability Analysis
DSRA	Debt Service Reserve Account
DTRD	Domestic Tax Revenue Division
DV	Domestic Violence
DVLA	Driver and Vehicle Licensing Authority
DWAP	District Wide Assistance Project
ECCD	Early Childhood Care and Development
ECG	Electricity Company of Ghana
ECOWAS	Economic Community of West African States
EDAIF	Export Development and Agricultural Investment Fund
EFC	Equity Financing Cost
EFT	Electronic Funds Transfer
EIA	Environmental Impact Assessment
EPA	Environmental Protection Agency
EPI	Expanded Programme of Immunization
e-PV	Electronic Payment Voucher
ETCs	Entity Tender Committees
ETLS	ECOWAS Trade Liberalisation Scheme
EU	European Union
FAA	Financial Administration Act

Glossary

FAR	Financial Administration Regulations
FDB	Food and Drugs Board
FDI	Foreign Direct Investment
FIFA	Federation of International Football Association
FINSSP	Financial Sector Strategic Plan
FOAT	Functional Organisational Assessment Tool
FOB	Free-On-Board
GAEC	Ghana Atomic Energy Commission
GATA	Ghana Aviation Training Academy
GCMS	Ghana Customs Management System
GCTA	Ghana Cooperative Transport Association
GDP	Gross Domestic Product
G-DPG	Government-Development Partner Group
GEDAP	Ghana Energy Development and Access Project
GEPA	Ghana Export Promotion Authority
GER	Gross Enrolment Ratios
GES	Ghana Education Service
GFZB	Ghana Free Zones Board Theme: – Rising to the Challenge: Re-aligning the Budget to meet Key National Priorities“.
GGF	Ghana Green Fund
GHF	Ghana Heritage Fund
GHuMIS	Ghana Human Resources Management Information System
GIF	Gamma Irradiation Facility
GIFMIS	Ghana Integrated Financial Management and Information System
GIPC	Ghana Investment Promotion Centre
GLR	Ghana Law Reports
GNPC	Ghana National Petroleum Company
GOG	Government of Ghana
GOTA	Global Open Trunking Architecture
GPFs	Ghana Petroleum Funds
GPHA	Ghana Ports and Harbours Authority
GPI	Gender Parity Index
GPRTU	Ghana Private Road Transport Union
GRA	Ghana Revenue Authority
GRATIS	Ghana Regional Appropriate Technology Industrial Service
GRSCDP	Gender Responsive Skills and Community Development Project
GSF	Ghana Stabilization Fund
GSGDA	Ghana Shared Growth and Development Agenda
GSS	Ghana Statistical Service
GYEEDA	Ghana Youth Employment and Entrepreneurial Development Agency
H.E	His Excellency
ha	Hectare
HIV	Human Immunodeficiency Virus
HR	Human Resource
HT	Human Trafficking
HRMIS	Human Resource Management Information System
HT	Human Trafficking
IAA	Internal Audit Agency
IAUs	Internal Audit Units
IBES	Integrated Business Establishment Survey
ICCES	Integrated Community Centres For Employable Skills
ICT	Information Communication Technology
ID	Identity
IE/C	Information, Education and Communication
IEC	International Electro technical Commission
IGF	Internally Generated Fund
iIMR	Institutional Infant Mortality Rates
ILGS	Institute of Local Government Studies
IMF	International Monetary Fund
IPPD	Integrated Personnel Payroll Database
JHS	Junior High School

Glossary

JVS	Joint Venture Companies
KATH	Komfo Anokye Teaching Hospital
KBTH	Korle Bu Teaching Hospital
KG	Kindergarten
KIA	Kotoka International Airport
KTPP	Kpone Thermal Power Plant
L. I.	Legislative Instrument
LAP	Land Administration Project
LDCs	Least Developed Countries
LEAP	Livelihood Empowerment Against Poverty
LED	Local Economic Development
LESDEP	Local Enterprises and Skills Development Programme
LGSS	Local Government Service Secretariat
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
LTE	Long Term Evolution
M&E	Monitoring and Evaluation
M2+	Broad Money Supply
MAF	MDG 5 accelerated framework
MARPs	Most at Risk Populations
MASLOC	Micro-Finance and Small Loans Centre
MASTESS	Mathematics, Science and Technology Scholarship Scheme
MDAs	Ministries, Departments and Agencies
MDBS	Multi-Donor Budget Support
MDGs	Millennium Development Goals
MDPI	Management Development and Productivity Institute
MESTI	Ministry of Environment, Science, Technology and Innovation
MGD	Million Gallons a Day
MICS	Multiple Indicators Cluster Survey
MMDAs	Metropolitan, Municipal and District Assemblies
MMR	Maternal Mortality Ratio
MoF	Ministry of Finance
MoFA	Ministry of Food and Agriculture
IEC	International Electro technical Commission
IGF	Internally Generated Fund
iIMR	Institutional Infant Mortality Rates
ILGS	Institute of Local Government Studies
IMF	International Monetary Fund
IPPD	Integrated Personnel Payroll Database
ISO	International Organization for Standardization
ITNs	Insecticide Treated Nets
ITU's	International Telecommunications Unions
JHS	Junior High School
JVCs	Joint Venture Companies
MoF	Ministry of Finance
MoFA	Ministry of Food and Agriculture
MRI	Magnetic Resonance Imaging
MSE	Micro and Small Enterprise
MSME	Micro, Small and Medium Enterprise
mt	Metric tonnes
MTDS	Medium Term Debt Strategy
MTEF	Medium Term Expenditure Framework
MTO	Medium Taxpayer offices
MTTD	Motor Transport and Traffic Division
MVA	Megavolt ampere
MW	Megawatts
NAFTI	National Film and Television Institute
NAPTEX	National Board for Professional and Technician Examinations
NBSSI	National Board for Small Scale Industries
NCA	National Communication Authority

Glossary

NDA	Net Domestic Assets
NDF	Net Domestic Financing
NDPC	National Development Planning Commission
NEDCo	Northern Electricity Distribution Company
NER	Net Enrolment Ratios
NFA	Net Foreign Assets
NGOs	Non-governmental Organisation
NHIL	National Health Insurance Levy
NIA	National Identification Authority
NMTDPF	National Medium-Term Development Policy Framework
NOC	National Oil Company
NPC	National Peace Council
NSEZ	Northern Sector Ecological Zone
NTHC	National Trust Holding Company
NVTI	National Vocational Training Institute
OAG	Office of the Administrator-General
ODA	Official Development Assistance
OIC	Opportunities Industrialisation Centre
OPD	Out Patient Department
P2P	Procure to Pay
PANAFEST	Pan African Festival
PBB	Programme-based Budgeting
PBWGs	Programme Budget Working Groups
PDF	Project Development Facility
PFM	Public Financial Management
PIMS	Public Investment Management System
PIP	Public Investment Programme
PJCC	Permanent Joint Commissions for Cooperation
PM10	Particulate Matter 10
PPA	Public Procurement Authority
PPBMEs	Policy, Planning, Budgeting, Monitoring and Evaluation Units
PPME	Public Procurement Model of Excellence
PPP	public private partnership
PRMA	Petroleum Revenue Management Act
PROTOA	Progressive Transport Owners Association
PV	Photovoltaic
PWD	Public Works Department
R&D	Research and Development
RCCs	Regional Coordinating Councils
RECOMEPs	Regional Committees on MSE Promotion
REP	Rural Enterprises Programme
RTFs	Rural Technology Facilities
TRBs	Tender Review Boards
TRIPS	Total Revenue Integrated Processing System
TSA	Treasury Single Account
TVET	Technical and Vocational Education and Training
UK	United Kingdom
UN	United Nations
UNFPA	United Nations Population Fund
UNWTO	United Nations World Tourism Organization
US	United States
VAT	Value Added Tax
VRA	Volta River Authority
WAEC	West Africa Examination Council
WAMI	West Africa Monetary Institute
WAMZ	West Africa Monetary Zone
WASSCE	West Africa Senior Secondary Certificate Examination
WEO	World Economic Outlook
WHO	World Health organization
WIMAX	World Wide Interoperability Microwave Access

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