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2017 Budget Highlights

"Sowing the Seeds for Growth and Jobs"

March 2017

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2017 Budget Highlights

Commentary

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"Government's selection of the theme "Sowing the seeds for growth and jobs" is well supported by the array of initiatives they propose to implement. How quickly such seeds will sprout and how deeply their roots will go will depend significantly on effective implementation."

The much anticipated first budget statement of the Nana Addo Dankwa Akufo-Addo led government was finally presented to Parliament on 2 March 2017 under the theme "Sowing the seeds for growth and jobs". The budget is anchored to the country's medium term vision and priorities of Government, incorporates programmes initiated under the Ghana Shared Growth and Development Agenda II ("GSGDA II"), and is informed by the United Nation's Sustainable Development Goals ("SDGs"), and the African Union's Agenda 2063. It is also set within the context of the IMF's three-year Extended Credit Facility ("ECF") programme with Ghana.

Key policy objectives targeted in the medium-term include: a business-friendly and industrialised economy that creates jobs; a modernised agricultural sector that emphasises value addition and improved efficiencies; countrywide integrated infrastructure, and enhanced human capital.

At PwC, in keeping with our practice for more than 15 years now, we have reviewed and analysed the budget statement, offered our independent views on Government's policy intentions, proposed initiatives, and the 2017 economic targets.

The Hon. Minister of Finance, Mr Ken Ofori-Atta, noted that provisional data available indicates that economic performance in 2016 was weak. Many of the targets that were set for macroeconomic and fiscal performance, and for the monetary and external sectors were missed: 2016 real GDP growth rate was 3.6% compared to a revised target of 4.1%; budget deficit-to-GDP ratio (on a cash basis) of 8.7% compared to a revised target of 5.3%; on a commitment basis, deficit-to-GDP ratio was higher at 10.3%; and debt-to-GDP ratio was high at 72.5%. Provisional results across the three major constituent sectors of the economy were also uninspiring. For example, industry is reported to have contracted by 1.2% under the global pressures of weak oil markets.

Some of the factors identified by the Minister as the reasons for the current state of the economy include excessive borrowing, financial indiscipline, and revenue underperformance resulting from leakages, loopholes, and tax exemptions. Additional factors mentioned include a debilitating environment for the private sector characterised by stiff energy sector challenges, and existing rigidities resulting from earmarked revenues that leave Government with very limited room for prioritising its expenditures into capital projects that align with its socio-economic development agenda.

It is our expectation, therefore, that the Minister will seek to correct (or begin to correct) some of the challenges present in the economy to improve Ghana's chances of meeting the 2017 as well as the medium-term economic performance targets, which in our view are within reach, given good macroeconomic management. This is also with the assumption that forecast revenues will materialise.

It would seem to us that, oil and gas from the Tweneboa, Enyera, Ntomme ("TEN") as well as the Sankofa-Gye Nyame ("SGN") fields is expected to be a key growth driver of the economy in the medium-term. To this end, we hope that the lessons learnt of the impact that unanticipated challenges with technical operations could have on budgetary revenue forecasts have been taken into account in arriving at the production volumes projected for 2017.

Indeed, growth in the Industry sector is projected to spike up to 17.6% in 2018, the second highest in more than a decade after the 41% recorded in 2011, which was the first fiscal year in which we recorded and accounted for a full year of oil production. This spike in the Industry sector's growth is forecast on the back of a 53.3% projected growth in the petroleum sub-sector in 2018. Beyond oil, we have a keen interest in the over 30 key policy initiatives that have been included in the 2017 Budget Statement. The Minister states that these policy initiatives, collectively, are aimed to strengthen the business environment, promote fiscal discipline, and stimulate investment in critical infrastructure in rural and deprived communities. In the budget, these policy initiatives have been organised under different thematic areas, including improving the business environment, job creation, infrastructure for poverty eradication, expenditure management and commitment control, etc.

The questions we ask ourselves include the following:

- Will these initiatives be really effective in "sowing the kind of seeds that will create an enabling environment for high business-led economic growth?
- Will the initiatives "sow seeds that will lead to sustainable, poverty-alleviating jobs being created outside of the public sector?
- How quickly can the seeds sown by these initiatives "germinate, grow and be ready for harvesting?
- What are the conditions that should be prevalent for these "seeds" to result in quick growth and high yields?

We have offered our views of these initiatives based on our understanding of what information has been included in the budget, as well as our own knowledge and experience.

In this commentary, we have touched on a few of these initiatives. In the rest of the document, we have discussed in more detail some of these initiatives in addition to other programmes Government of Ghana ("Government" or "GoG") plans to execute in 2017 and in the medium-term to 2019.

Improving the business environment and job creation: The Minister identified about 12 policy initiatives for this thematic area. Key is the proposed abolition of a broad array of taxes, described by the Minister as "nuisance taxes" because they are deemed to be low revenue-yielding and burdensome for tax payers. We understand that implementing these tax incentives could cost the State some tax revenues, but the Minister is confident that this loss would be more than compensated for by other measures introduced, e.g. the initiatives proposed to stem the haemorrhaging of tax revenues by the current tax exemptions regime.

The one measure that has already sparked debate is the elimination of duty imposed on spare parts imports. Our view is that, while dismantling this duty could lead to a lowering of operational cost and an abatement of cash flow pressures, spare parts dealers would benefit more from a stabilised Ghana Cedi.

This is because their costs are foreign currency denominated, while their sales are in local currency. It is our view, therefore, that the Government must act quickly, through its fiscal management, to restore the confidence of the market and help stabilise the Ghana Cedi. Failing to achieve stability in the currency value could mean that the removal of import duties would do little to improve the lot of spare parts dealers. Indeed, most businesses will continue to hurt, if the Ghana Cedi continues to slide at the current rate.

We expect other initiatives, such as the proposed National Identification Programme and National Digital Address System, to help establish a good foundation for building a business-friendly environment, one that lends itself to achieving improved tax compliance. A major complaint of the financial services/ banking industry and foreign investors who seek local partners has been the absence of a reliable address system that allows them to track persons and organisations that do business with them. This has been cited among the reasons for high payment default rates. Indeed, some banks have admitted that their expectations of elevated default rates cause them to price interest rates on their loan facilities high.

We envisage that, with a functioning digital address system in place, a plethora of innovative technology-enabled services could be deployed across different economic segments, leading to enterprise and job creation, especially by the youth. Indeed, these two policy initiatives are fundamental to our socio-economic development and should be executed to an appropriate level of detail over the medium term, if it cannot be completed in the short term.

The initiatives targeted at the banking and capital markets also present some interesting possibilities. If implemented properly, these initiatives will support a strengthening of both the banking sector and the capital markets. Reduction in exposure to the country's currently challenged energy/ power sector and the avoidance of such a situation in the future will provide the banking sector with the liquidity that it needs to support infrastructure development as well as the operational requirements of the real sector, while also bolstering the confidence reposed in it. Raising the minimum capital of banks, strengthening the licensing and regulatory framework, and introducing measures that challenge banks to improve their governance and risk management systems and practices will help ensure that the real economy has strong partners and enablers in the financial services sector.

Indeed, a stronger banking industry that is eager to assume and manage risk within tolerable levels will be a good partner to the Government in the implementation of the stimulus package under the proposed National Industrial Revitalisation Programme. It is important that the programme should be seen as non-discriminatory and non-partisan.

One thing the Minister must clarify is the requirement for businesses in the energy (presumably power), oil and gas, mining, banking, and telecommunications sectors to list a minimum proportion of their shares on the Ghana Stock Exchange ("GSE") within five years of their commencement of operations. Does this apply to new companies only or includes existing businesses?

Does it also apply to all limited liability companies operating in the afore-mentioned sectors, whether with Ghanaian or foreign ownership?

The reforms of the pensions sector has led to the establishment of a number of Tier 2 and Tier 3 pension schemes that have the liquidity to invest in businesses with good prospects and this increases prospects for the average Ghanaian to live decent lives after they retire, as the returns from the investments made by these pension funds would help assure improved pension pay-outs.

The last initiative we wish to comment on under this theme is the "One District, One Factory" Programme. We believe that this has the potential of incubating in itself massive opportunity to achieve an even spread of value-adding secondary economic activity, located mainly in the rural and peri-urban parts of Ghana. This will generate significant employment as well as lead to the production of goods and services for domestic consumption and export. In 2017, Government has budgeted GH¢456.25 million in both capital and operating expenditures (excluding worker related costs) for this programme.

If implemented properly, this programme along with all the other rural-based initiatives that the Government has proposed for implementation under the Infrastructure for Poverty Eradication Programme ("IPEP") will begin to change the face of the productive economic landscape of the country. This could help to stem rural-urban migration and eventually reverse it, leading to reduced pressure on urban infrastructure with its attendant challenges. Ultimately, we envisage that the IPEP along with the Free SHS Programme, could lead to the creation of a confident, functionally educated, less impoverished (if not well-to-do) rural dweller that is not dependent on Government-funded social protection programmes and is not looking to migrate to the city to do menial or other high-risk work for a living.

The success of the IPEP will partially be determined by the governance framework within which the proposed Development Authorities will be established, constituted, operated and managed. It is important that the right linkages are created with the appropriate government agencies to ensure an integrated approach to socio-economic development. Such agencies include National Development Planning Commission ("NDPC"), Ministry of Trade and Industry ("MoTI"), Ghana Investment Promotion Centre ("GIPC"), the Ministry of Business Development ("MoBD"), Ministry of Local Government and Rural Development ("MLGRD"), and the various or respective Metropolitan, Municipal, and District assemblies ("MMDAs").

In addition to creating the right linkages, it is important that Government packages these interventions in a way that makes it attractive to the private sector, as the intention – as we understand it – is to use these initiatives to create an environment within which the private sector would see sustainable and profitable opportunities.

Without doubt, the impact of all these programmes will be felt more in the long-term rather than the short- or medium-term. It is important for Government to get the implementation strategy for these programmes right, as well as be disciplined in execution while remaining accountable to the citizens of Ghana.

Free Public Senior High School: so far, the debate on this initiative has focused on how the Government proposes to fund the initiative. In the 2017 budget, the Hon. Minister has allocated about GH¢400 million to this initiative. We agree that clarity around the funding structure would lend credence to its practicality and sustainability.

In our view, Government's objective should not be improved access alone; it must also be concerned with the quality of education too.

To that end, we expect that the Government, through the Ministry of Education ("MoE") must resource and challenge the Ghana Education Service ("GES") to develop and implement strategies that address the quality issues that confront Ghana's education system.

Expenditure management and commitment control: Government will need financial resources to implement all the initiatives enumerated in the 2017 budget. It is for that purpose and also to enable Government fully implement the 2017 and subsequent budgets that the Hon. Minister has proposed some more initiatives under this thematic area.

This set of initiatives include introducing the Fiscal Council, realigning statutory funds, and introducing a Treasury Management Unit ("TMU") at MoF as well as implementing the Treasury Single Account ("TSA"). Additional initiatives involve improving government payroll management and enforcing the Public Procurement Act. Some of these initiatives are really not new. In our view, therefore, success really lies with enforcing existing rules and their accompanying sanctions and penalties regimes. We think strict implementation of the Public Financial Management Act ("PFMA") will be a good start, as it contains provisions to make graft and misappropriation unattractive.

We are interested in the details of Government's plans for permanently fixing the "crowd out" effect that the public sector wage bill has on development budget expenditure. The Hon. Minister mentioned in his presentation of the budget that the wage bill is one of the "Big Three" budget line items that introduce rigidities into the budget. Of even greater interest to us is what plans Government has for ensuring that returns obtained from incurring payroll cost are optimised in terms of the quantity and quality of public sector services produced by the personnel on which the wage bill is spent.

In summary, we think that Government's selection of the theme "Sowing the seeds for growth and jobs" is well supported by the array of initiatives they propose to implement. How quickly such seeds will sprout and how deeply their roots will go to sustainably support a growing and transforming economy depend on how well Government thinks through the implementation strategy and on the discipline with which Government will execute. The execution discipline will also be impacted by the timely availability of financial resources at optimal costs. Additionally, commodity markets continue to pose a material risk to our economic performance, as our economy remains significantly commodity dependent.

There is no doubt that 2017 will not be a walk in the park, and it would not come as a surprise to us, if some of the economic targets are missed come year end. A key example is the projected fiscal deficit of 6.5% of GDP, for the reason that revenue performance will depend a lot on how quickly we could derive results from some of the initiatives proposed to "formalise" the economy as a precursor to widening the tax net for enhanced revenue mobilisation. Also, how rapidly the private sector will respond to Government's tax-related initiatives will also depend on how effectively they deal with problems related to providing reliable and affordable power for production. Still, we expect Government to go to work immediately on finalising and perfecting its implementation strategy, and lining up requisite funds for execution.

We wish Government all the best with its budget this year and in subsequent years, and expect to continue to engage in this conversation as well as play our own role, as a responsible thought leader as well as a trustworthy professional services provider.

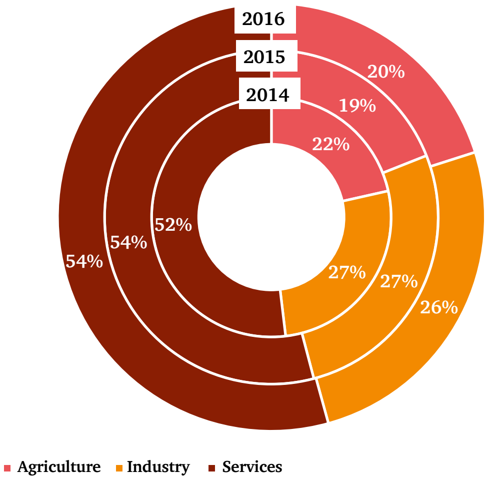
2017 Budget Highlights

At a Glance

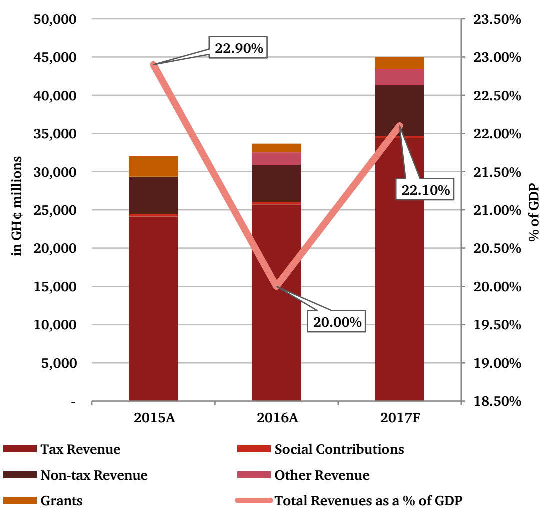
"The Budget will set the pace for job creation and accelerated growth by empowering the private sector."

The Minister for Finance, Mr. Ken Ofori-Atta

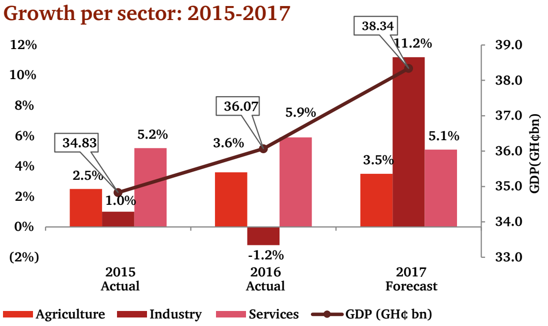
Sectoral Distribution:% of GDP (2014-2016)



Revenue Breakdown (in GH¢ millions) 2015 -2017



Growth per sector: 2015-2017



Snapshot of 2017 Budget Statement

- Provisional real GDP growth rate of 3.6% as against a target of 4.1% for 2016;
- Non-oil GDP growth of 4.6% for 2016, achieving the target of 4.6.%;
- Projected GDP growth of 6.3% for 2017, as against 3.6% in 2016;
- 2017 end-year inflation target of 11.2% against 15.4% in 2016;
- Provisional outturn of total revenue and grants in 2016 of GH¢33,678.2 million, against a target of GH¢37,889.3 million, a shortfall of 11% ;
- Tax revenue of GH¢25,729.7 million in 2016, as against a target of GH¢29,129 million, in 2017 representing a shortfall of 11.7%;
- Overall expenditure in 2016 including outstanding obligations amounted to GH¢51,1191 million, equivalent to 30.3% of GDP and exceeding the target by 16%;
- Budget deficit on cash basis as percentage of GDP is 8.7% as against a target of 5.3% in 2016;
- Budget deficit for 2016 on commitment basis is 10.3% as percentage of GDP; and
- An overall shift in the focus of economic management from taxation to production.

Sector Growth

- Agriculture Sector recorded growth of 3.6% in 2016 against a 3.5% target in 2016, with the cocoa sub-sector recording a growth of 2.5%;
- Industry Sector recorded a decline of 1.2%, compared to only marginal growth of 1.0% in 2015 as a result of a contraction in upstream petroleum output;
- Services Sector recorded growth of 5.9% in 2016, compared to 5.2% in 2015. Most significant growth was recorded in the sub-sectors of Information and Communication (14.4%); Public Administration, Defence and Social Security (8.1%) and Electricity (8.8%).

* = Please note all references to The 2016 Budget are to the revised budget

** = Please note all references to 2016 are to provisional outturn

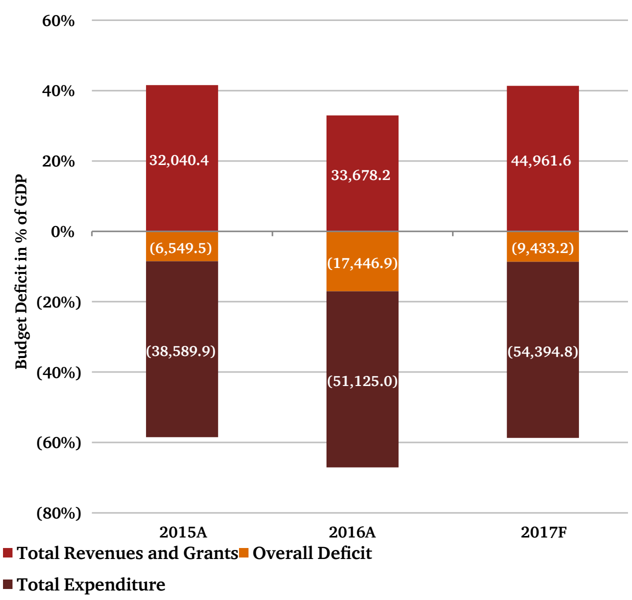
"[…] our goal is to build the most business-friendly and people-centred economy in Africa, which will translate into job creation and prosperity for all Ghanaians"

The Minister for Finance, Mr. Ken Ofori-Atta

Revenue

- A total provisional outturn in 2016 of GH¢33,678 million representing 20% of GDP, for the same period in 2015 GH¢32,040.4 million;
- 11.1% shortfall in total provisional outturn revenue against target;
- Total petroleum receipts amounted to GH¢711.1 million against a 2016 Budget target of GH¢1,400.8 million, representing a 49.2% realisation;
- Government projects a total of GH¢44,900 million (22.1% of GDP) for 2017 in Revenue and Grants, including programmed receipts from petroleum indicating a 33.5% increase over the provisional outturn in 2016.

Deficit Analysis 2015 - 2017



Expenditure

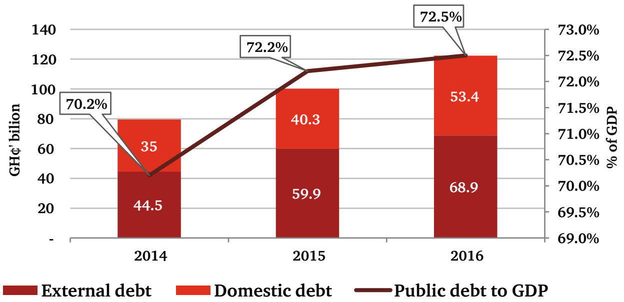
- Total provisional expenditure for 2016 of GH¢51,125.0 million representing 30.3% of GDP and 2017 planned expenditure of GH¢54,394.7 million representing 26.7% of GDP;
- Expenditure on Wages and Salaries for 2016 totalled GH¢14,164.7million, higher than budgeted and increased as percentage of total domestic revenue 37%, compared to 36% in 2015;
- In 2017 Government will strictly enforce provisions for expenditure management, especially with regard to sole sourcing, value for money and strictly enforcing the PFMA as well as the re-alignment of the earmarked funds.

Deficit

- Deficit on commitment basis amounted to GH¢17,446.9 million and was financed from both domestic and foreign sources, including proceeds from the 2016 Eurobond issuance. Deficit on cash basis amounted to GH¢14,731.6 million;
- Fiscal policy over the medium-term will aim to progressively reduce fiscal deficit from 8.7% of GDP, to an overall fiscal deficit of 6.5% of GDP in 2017 and fiscal deficit of 3% of GDP in 2018;
- Deficit reduction measures include strict adherence to the PFMA; Commitment Control provisions to curb the build-up of expenditure arrears and provisions that prohibit MDAs from entering into financial agreements that bind Government for over one year.

Public Debt

Public Debt



- Ghana's total public debt stock as at December 2016 stood at almost 73% of GDP, against 71.6% in 2015, Government targets 70.9% at the end of 2017;
- In nominal terms public debt amounted to GH¢122,263.0

At a Glance

"[…] the Budget will set the pace for job creation and accelerated growth by empowering the private sector. To accomplish this, we will shift the focus of economic management from taxation to production."

The Minister for Finance, Mr. Ken Ofori-Atta

million (US$29.2 billion), at the end of 2016, with domestic and external debt of GH¢53.4 billion (US$12.8 billion) and GH¢68.9 billion (US$16.5 billion) respectively; and

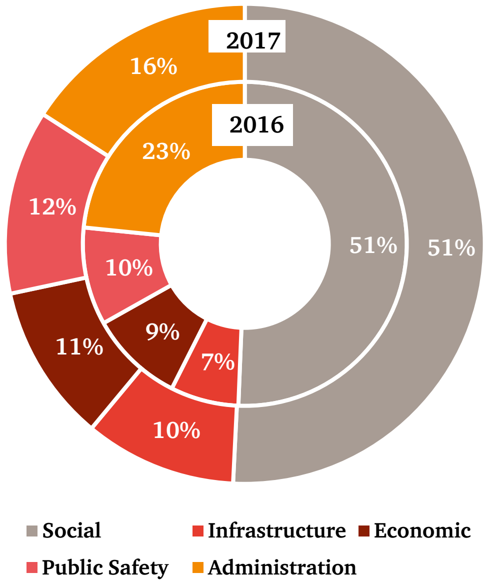
- Total interest payments for 2016 amounted to GH¢10,770.4 million (6.4% of GDP), 2017 interest payments are projected at GH¢13,940.5 million (6.9% of GDP).

Key Policy Initiatives

- The 2017 Budget has a total allocation of GH¢2,079 million for special initiatives to be funded from GoG and ABFA resources.
- The IPEP with an allocation of GH¢1,045 million (which includes the US$1 million one constituency initiative);
- Introduction of the National Entrepreneurship and Innovation Programme ("NEIP") to support early-stage businesses;
- National Identification Programme to be rolled out in 2017 to facilitate efficient delivery of public and private services, including social safety nets and revenue collection; and
- Improvement of access to education at all levels, by implementing the comprehensive free public Senior High School ("SHS") programme starting with the 2017/2018 academic year with an allocation of GH¢400 million.

Budget allocation for Key Policy Initiatives	(GH¢ million)	% of total 2017
Infrastructure for Poverty Eradication Programme	1,045	50%
Free SHS	400	19%
Re-institution of Nurses & Teachers Trainee Allowances	252	12%
Venture Capital Trust Fund	219	11%
National Identification Scheme	100	5%
National Entrepreneurship and Innovation Programme	44	2%
National Address System	11	1%
National Asset Protection Programme	8	0%
Total	2,079	100%

Sector allocations in percentage of total sector allocation for 2016 and 2017



Sectors	2017 (GH¢ million)	2016 (GH¢ million)	% Change
Administration	4,074	5,825	(30.06%)
Economic	2,722	2,345	16.08%
Infrastructure	2,625	1,696	54.78%
Social	12,999	12,613	3.06%
Public Safety	3,179	2,430	30.82%
Total	25,599	24,909	2.77%

Sector Highlights

- Government has introduced seven new ministries with varied responsibilities for implementing GoG's special initiatives as enumerated in the Budget Statement. These Ministries are the Ministry of Business Development, Ministry of Special Development Initiatives, Ministry of Planning, Ministry of Inner City and Zongo Development, Ministry of Regional Reorganisation and Development, Ministry of Monitoring and Evaluation and the Ministry/ Office of the Senior Minister.

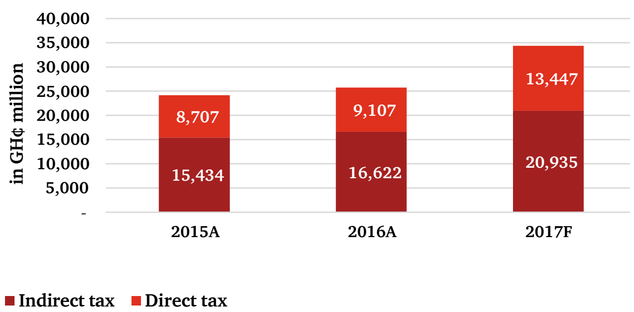
"We will adhere to and maintain good economic governance principles of fiscal discipline, accountability and transparency."

The Minister for Finance, Mr. Ken Ofori-Atta

Distribution in Tax Revenue

- The 2017 budget projects a 33.6% growth in tax revenues over the 2016 provisional outturn. This is a substantial targeted growth level given that the 2016 projected outturn was in itself about 11.7% short of the 2016 budgeted tax revenues of GH¢29.13 million.

Tax Revenue 2015 - 2017



- From Government's projections for 2017, we should expect to see a lower growth in indirect tax revenues as compared to the growth in direct taxes. The policies to increase tax revenue are broadly premised on the broadening of the tax base, as Government seeks to abolish a number of taxes, particularly indirect taxes.

Key Tax Policy initiatives for 2017

Direct tax

- Tax exemption on gains from realisation of GSE listed securities and SEC approved securities
- Two-year stamp duty waiver for investments in the financial services sector
- Granting of tax credits to businesses that hire young graduates

Indirect Tax

- Abolish the 17.5% VAT and NHIL on financial services, domestic airline tickets and selected imported medicines
- Abolish the 5% VAT on real estate sales
- Replace the 17.5% VAT scheme with the 3% flat rate for traders
- Reduce the special petroleum tax from 17.5% to 15%
- Abolish excise duty on petroleum
- Abolish import duties on spare parts
- Negotiate the removal of import duties on raw materials and machinery for production in line with the ECOWAS CET Protocol
- Abolish the 1% Special Import Levy

Tax administration initiatives for 2017

- Initiate a self-assessment regime for small taxpayers
- Increase tax revenues from PAYE by enforcing the filing of annual employer schedule, reconciling SSNIT and GRA data and roping in practising professionals
- Intensify transfer pricing audits for the extractive sector
- Conduct integrated audits for free zones and specialised sectors
- Deploy electronic point of sale devices by third quarter of 2017 to monitor VAT transactions
- Full implementation of the Excise Tax Stamp regime
- Replace the outright tax relief system for imports with a refund system
- Review customs duties and the tax relief system for Governmental and non-governmental institutions, charities, the private sector and specified individuals enjoying the reliefs
- Improve informal sector taxation through the use of the national identification scheme.

2017 Budget Highlights

The Economy

Government projects significant economic growth (oil inclusive) of about 6.3% in 2017, from an estimated actual growth of 3.6% in 2016.

Inflation is targeted to decline to 11.2% in 2017, down from estimated actual inflation of 15.4% as at end of December 2016

The 2017 Budget Statement ("the Budget") was delivered on the back of Government's promise to move Ghana beyond aid and create the most business friendly environment and people-centred economy in Africa to engender growth and create jobs. There is therefore an anticipation that the policies and strategies outlined therein will accelerate the change in Ghana's economic transformation and move the country towards increased prosperity.

The following themes emerged from the 2017 Budget Statement:

- *Jobs and wealth creation – rooted in educating the youth and empowering them to spur a private sector led growth through entrepreneurial ventures.*
- *Fiscal policy adjustments –hinged on abolishment and reduction of various taxes and levies to encourage investment, while broadening the tax base, through reduction in exemptions and expansion of the taxable population with the full implementation of the National Identification ("National ID") system to enhance revenue mobilisation.*
- *Industrialisation – anchored by the new IPEP. IPEP will be the main vehicle for implementing industrialisation programmes such as the signature "One District, One Factory" and "One Village, One Dam" initiatives.*

GoG has also proposed to abolish a number of taxes and levies which are intended to create a business-friendly environment to enhance production. Given that these tax cuts have the potential to reduce revenues, Government must actively pursue measures to improve revenue mobilisation by making good on its promises to broaden the tax base, close loopholes and curb wastage to avoid a possible negative impact on the proposed budget deficit. In addition, local industries must be provided with some form of protection against dumping from imports to enable them grow and help achieve the industrialisation objective.

Summary of key macroeconomic indicators

Description	2016 Revised Target	2016 Provisional	2017 Target
Growth in Real GDP (incl. oil)	4.1%	3.6%	6.3%
Growth in Real GDP (non-oil)	4.6%	4.6%	4.6%
End of Period Inflation (%)	10.1%	15.4%	11.2%
Overall Fiscal budget deficit (% of GDP)*	5.3%	8.7%	6.5%
Gross International Reserves	not less than 3 months of import cover	3.5 months of import cover	at least 3 months of import cover

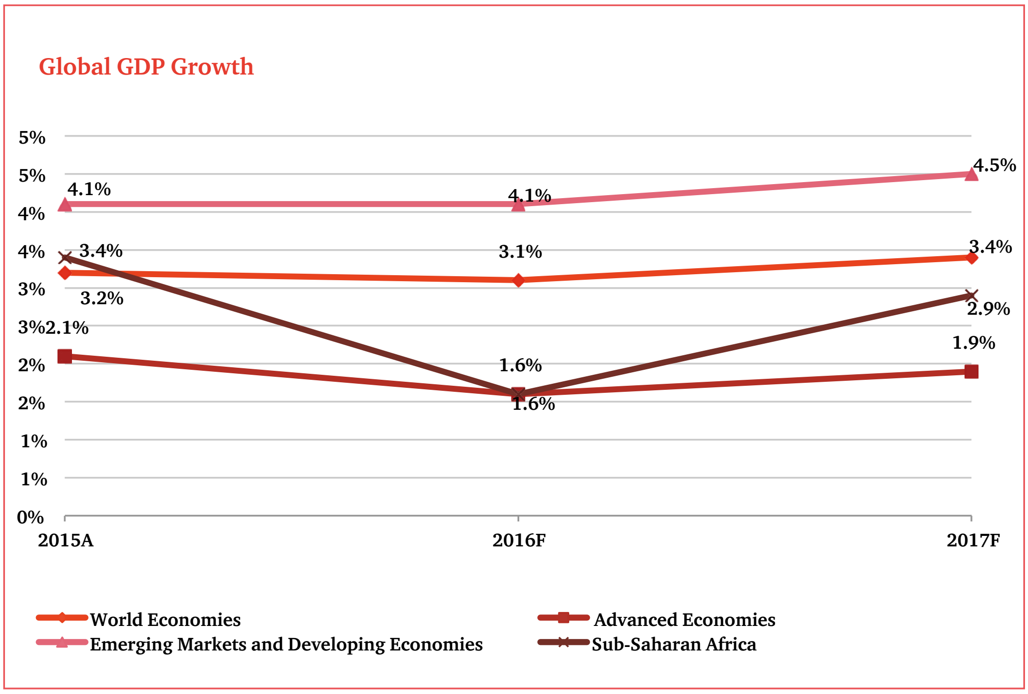
Source: 2017 Budget Statement and Economic Policy

** The deficit stood at 10.3% of GDP on commitment basis as at the end of 2016*

The World Economy

- According to the World Economic Outlook ("WEO") Update, January 2017, global economic growth for 2016 was 3.1%, same as 2015 but lower than the projected 2016 growth rate of 3.4% estimated in January 2016.
- WEO estimates global growth will increase to 3.4% in 2017 and 3.6% in 2018. Growth in advanced economies is expected to hit 1.8% and 1.9% in 2017 and 2018 respectively. Emerging Markets and Developing Economies ("EMDEs") on the other hand are expected to experience growth rates of 4.5% and 4.8% in 2017 and 2018 respectively.

Growth in the global economy is expected to pick up after a sluggish year in 2016, boosted by expected growth of the United States and other advanced economies.



Source: WEO, January 2017 Update

Keys	
Advanced Economies	Includes United States, Euro Area (Germany, France, Italy, and Spain), Japan, United Kingdom, Canada and other Advanced Economies. Other advanced economies exclude the G7 countries (Canada, France, Germany, Italy, Japan, United Kingdom and United States) and other euro areas.
Emerging Markets and Developing Economies	Includes the Commonwealth of Independent States, Emerging and Developing Asia (China, India, Indonesia, Malaysia, Philippines, Thailand and Vietnam), Emerging and developing Europe, Latin America and the Caribbean (Brazil and Mexico), Middle East, North Africa, Afghanistan and Pakistan and Sub-Saharan Africa.

The Economy

Although the growth rate target of advanced economies has an optimistic outlook, it remains highly uncertain particularly because of the geopolitical uncertainties around the policies of the new administration in the USA and around "Brexit". The actual impact of these two economic shakers of 2016 will be felt much later in 2017 and beyond as Britain triggers its 'Article 50' to formally begin the process of leaving the European Union and the policies of the new Donald Trump-led administration in the USA become clearer.

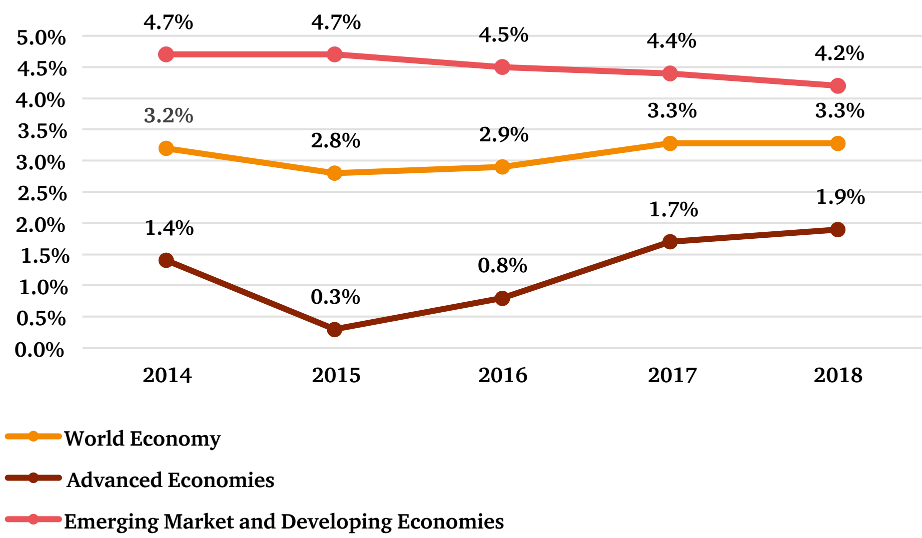
Anticipated growth in advanced economies could be a positive development for the Ghanaian economy as demand from these countries is likely to boost commodity prices and increase foreign direct investment.

Inflation

- The WEO January 2017 Update estimates that the average inflation rate in advanced economies will be 1.7% in 2017 and 1.9% in 2018.
- For EMDEs, average inflation is expected to peak at 4.5% in 2017 and decrease marginally to 4.4% in 2018.
- Ghana on the other hand recorded one of the highest inflation rates in West Africa in 2016, at 15.4%, while the ECOWAS region recorded an average inflation of 12.1%.

Global inflation is forecast to remain low at 1.9%, driven largely by very low levels of inflation in advanced economies.

Global Inflation Rates



Source: WEO, October 2016

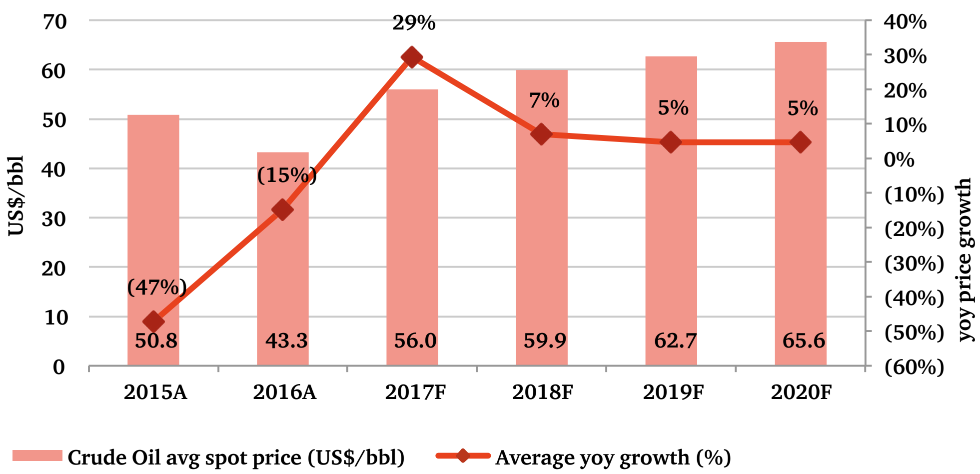
Global inflation continues to be low, with forecasts pointing to single digit inflation rates in 2017 and beyond. Ghana's inflation remains in the double digits due to factors such as increasing fuel prices and the depreciation of the Cedi against major trading currencies. This, coupled with other sources of external inflationary pressure such as the anticipated expansion of the US economy and expected rate hikes by the US Federal reserve poses a challenge to Ghana's year-end inflation target of 11.2%. However, a successful implementation of the strategies outlined in the budget to anchor inflation rates and stabilise the Cedi, such as a tighter monetary policy, would help contain the increasing inflation and help to limit it to within forecast levels.

Crude oil prices are forecast to average US$56.0 per barrel in 2017 from an average price of US$43.3 per barrel in 2016, significantly short of the US$73.2 benchmark revenue price set in accordance with the formula stipulated by the Petroleum Revenue Management Act ("PRMA") for 2016. The benchmark revenue price for the 2017 has therefore been set at US$56.142 per barrel to reflect the predicted market developments.

Global Commodity Prices

- The World Bank Global Economic report forecasts continuing strong gains for key industrial commodities such as energy and metals in 2017 largely due to tightening supply and strengthening demand of these commodities.
- According to the World Bank Commodity Markets Outlook, October 2016, the price of crude oil is forecast to remain steady for the year 2017 at US$56.14 per barrel – approximately 28% increase over the 2016 price of US$43.3 per barrel. The predicted price increase, according to the World Bank, is attributable mainly to supply contractions, arising from the November 2016 agreement among members of the Organization of Petroleum Exporting Countries ("OPEC") to cut output by 1.2 million barrels per day from January to June 2017, and an increase in demand from non-OECD economies.
- In spite of the projected upward tick in the price of crude oil in 2017, it is still unlikely that crude oil prices will reach the US$73.2 per barrel price set by the PRMA formula due mainly to the increasing activity in the United States' shale oil fields.

Crude oil prices (in US$/bbl)



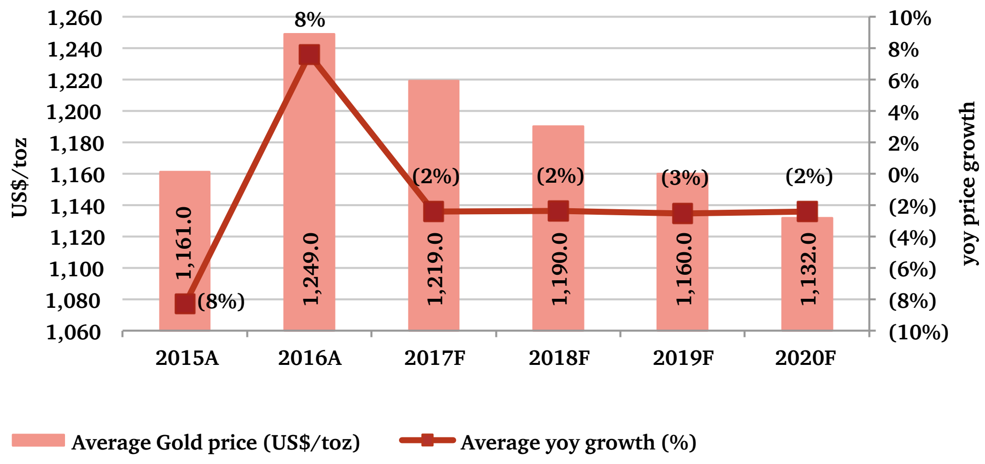
Source: World Bank Commodity Markets Outlook, October 2016

In spite of plans by OPEC to cut production and instigate an increase in crude oil prices, the market is still likely to be affected by some degree of uncertainty in the short term. The proposal in the Budget to use an average market price of US$56.14 per barrel instead of the result of the PRMA formula for planning purposes is therefore prudent and carefully balances the competing forces putting both upward and downward pressures on crude oil prices in the near term.

The Economy

- Gold prices are expected to decline from an average of US$1,249 per fine ounce in 2016 to US$1,219 in 2017, due largely to an expected strengthening of the US dollar.

Gold prices (in US$/toz)

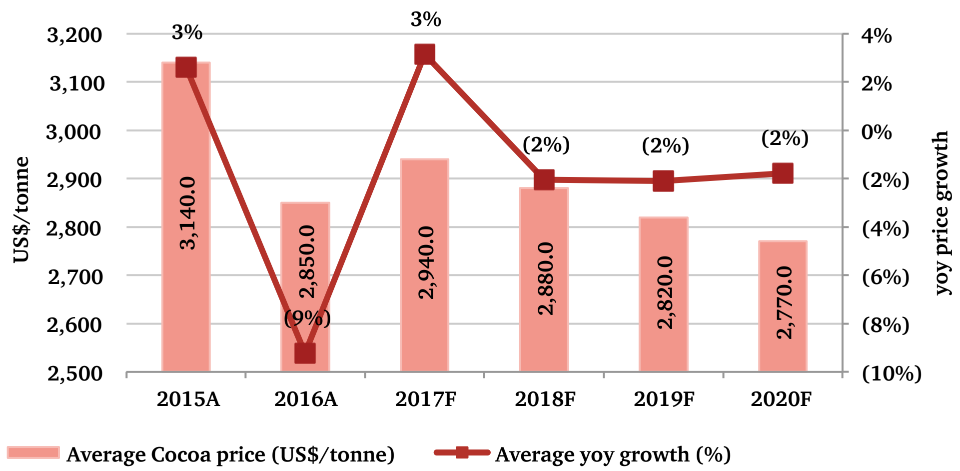


Source: World Bank Commodity Markets Outlook, October 2016

Gold prices are normally affected by movements in interest rate as investors switch their investments to higher yield-bearing assets. Physical gold demand was very weak in 2016, particularly in the two largest consuming countries, India and China, and is expected to remain unchanged in the interim due to the anticipated rates increase by the US Federal Reserve and continuing strong performance among equities. Since Ghana ranks high amongst the major gold producing countries, it is worth noting that such risk also has the potential to negatively impact its revenue potential.

- According to the World Bank Commodity Markets Outlook, cocoa price is projected to average US$2,940 per tonne in 2017, up from US$2,850 in 2016 due to an estimated supply drop in cocoa.

Cocoa prices (in US$/tonne)



Source: World Bank Commodity Markets Outlook, October 2016

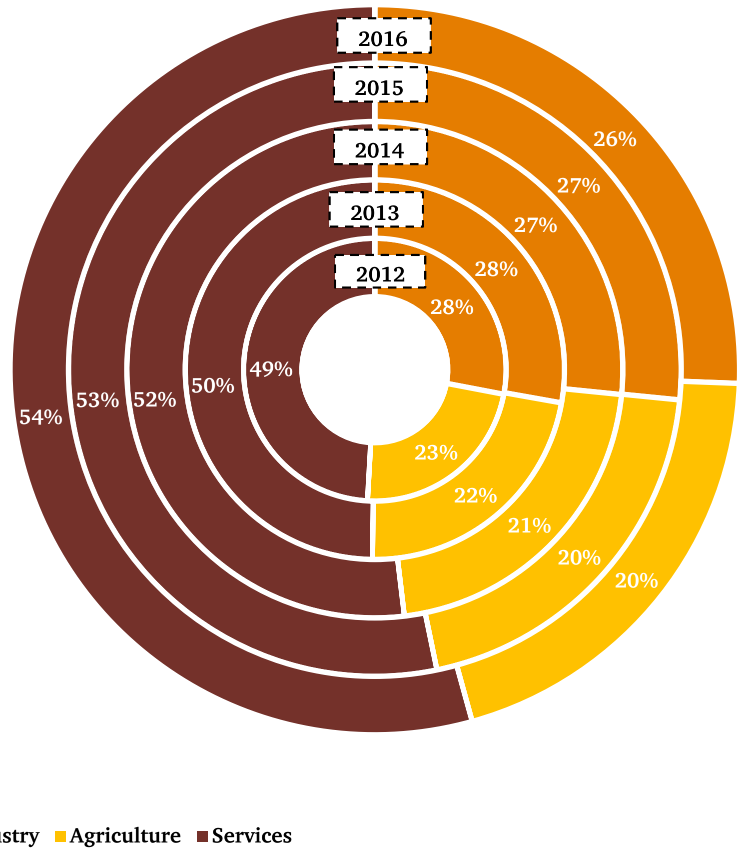
Cocoa prices fell to US$2,300 per tonne in December 2016 marking the sixth straight monthly decline and a 3.5 year low, according to the January 2017 World Commodity Markets Outlook. The declining prices are a result of an increase in the global cocoa output of approximately 11% to an estimated record of 4.4 million metric tonnes during 2016-17. Most cocoa producing countries are expected to contribute to the expected output rise with Côte d'Ivoire and Ghana – the world's leading suppliers - contributing significantly to this growth. Should supply continue to increase, and prices fall below the average target of US$2,940 per tonne as a result, the projected government revenue of GH¢331.10 million in 2017 from cocoa will likely not be achieved.

Sectoral Analysis

The Services sector continues to be the largest contributor to GDP accounting for 54% in 2016

- Ghana's economy has maintained its structure since 2012 driven largely by the Services sector with a contribution of 54% to GDP in 2016. The Agriculture and Industry sectors have consistently contracted marginally each year, reducing their contribution to the economy from 23% and 28% respectively in 2012 to 20% and 26% respectively in 2016.

Sectoral Structure of the Economy 2012 - 2016



Source: Budget Statement 2017

The Economy

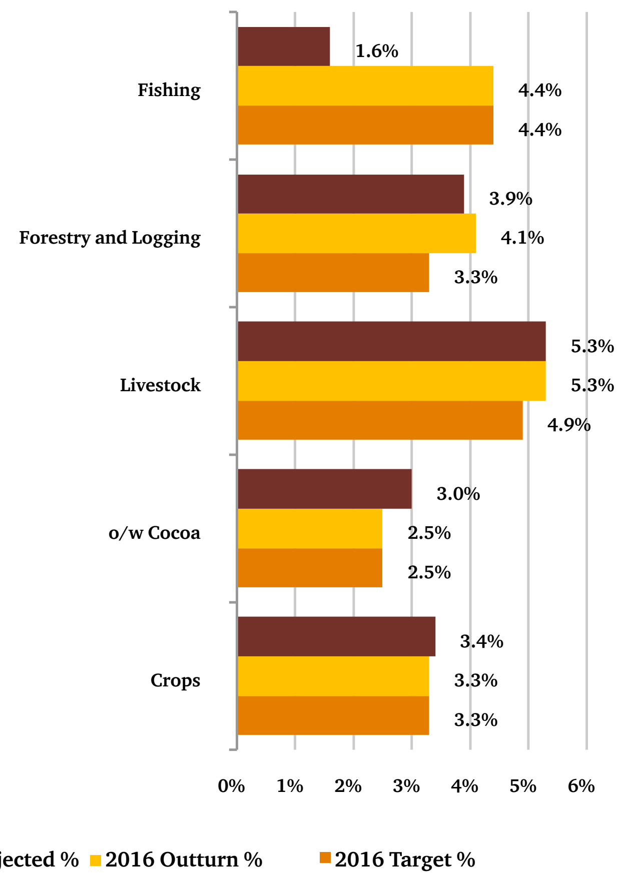
The 2017 Budget Statement is heavily skewed towards growth enhancing initiatives in the Agriculture and Industry sectors aimed at accelerating growth and job creation. Some of these initiatives which include the "planting for food and jobs" and IPEP are expected to propel growth within the Agriculture and Industry sectors. However we do not expect the structure of the economy to change significantly as the Services sector is also expected to grow concurrently. To ensure effective implementation of these initiatives, Government should provide a roadmap and clear timelines for the rollout of the various sectoral initiatives to support the forecasted growth in the various sectors.

Agriculture Sector

The Agriculture sector exceeded its targeted growth in 2016 driven by the Crops sub-sector (including cocoa)

- The Agriculture sector expanded by 3.6% in 2016, exceeding its targeted growth of 3.5% for the same period. The Crops sub-sector (including cocoa) accounted for over 70% of this sector's contribution to GDP and was on target with a growth rate of 3.3% in 2016. Forestry and Logging and Livestock sub-sectors exceeded their targeted growth, registering 4.1% and 5.3% respectively.
- Government has projected a growth of 3.5% in Agriculture for 2017 and has introduced various initiatives to drive this growth - key among which is the 'Planting for Food and Jobs' initiative- an initiative designed among others, to encourage individuals to take up farming either full-time or part time.

Performance of Agriculture Sector



Source: Budget Statement 2017

Government has identified the Agriculture sector as a key area for job creation, and is keen to involve the private sector in its initiative of 'Planting for Food and Jobs'. Government expects Agriculture to register a 3.5% growth in 2017, consistent with the 2016 target. The sector growth is projected to be driven by the crops subsector (including cocoa). The expected growth, though modest given the numerous initiatives, can be affected by the world market price of cocoa which is projected to decline from US$2,890.00/tonne at the beginning of 2017 to US $2,600.00/tonne by the end of 2017.

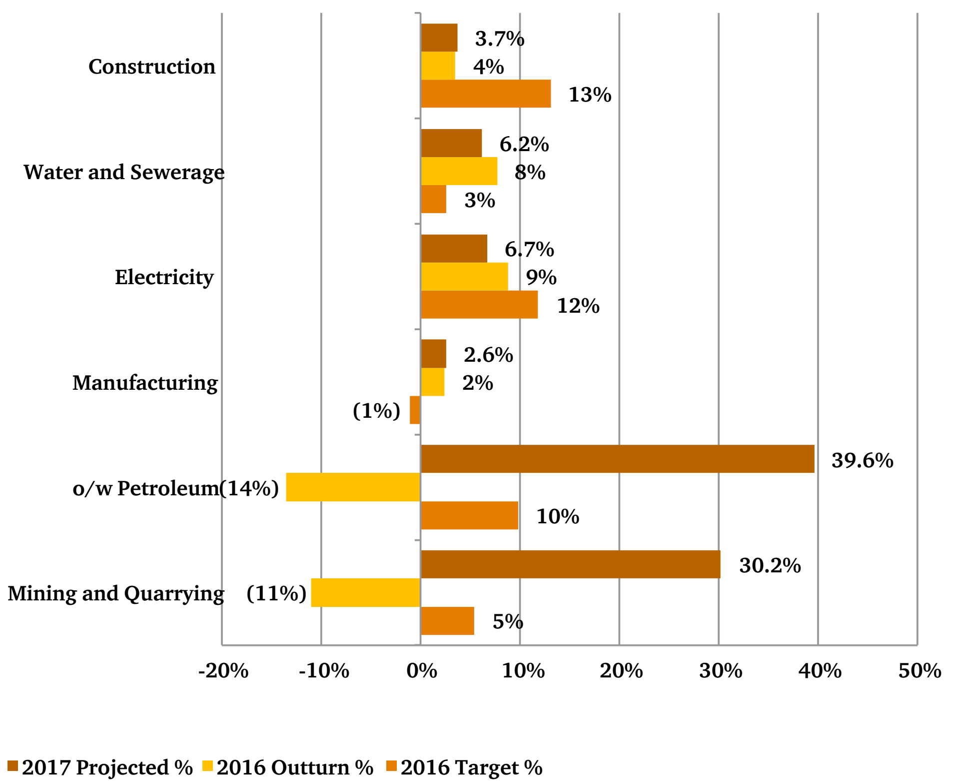
Government's "One-Village, One–Dam" and the "One-District, One-Factory" initiatives are closely linked to the Agricultural sector initiatives and must be aligned in a manner that will have both backward and forward linkages with each other, specifically, ensuring that the raw materials produced locally serve as inputs to the factories. Beyond theses 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 initiatives.

Industry Sector

The Industry sector is expected to grow by 11.2% in stark contrast with the 1.2% decline in 2016.

The projected growth in the Industry sector is expected to be driven by a 30.2% growth in the Mining and Quarrying subsector coupled with marginal growth across all other sub-sectors in the industry. The growth in the Mining sector has been predicted based on an expected rise in upstream petroleum activity and the SGN fields while other subsectors have been predicted to grow based on the expected normalisation of the power supply situation in the country as well as the implementation of proposed business-friendly policies.

Performance of the Industry Sector



Source: Budget Statement 2017

The Economy

The Economy

The Mining and Quarrying subsector was the only subsector to decline in 2016. This decline was attributed to the reduction in upstream petroleum activities which are expected to pick up in 2017 following efforts by Government and the Jubliee Partners to address the shortfall in production [resulting from the damage to the turret bearing on FPSO Kwame Nkrumah in 2016] and also the coming on stream of the SGN and TEN fields.

In 2016 there was an improvement in the power supply situation in the country with the electricity subsector growing by 12%. The 2017 budget predicts a growth in the Manufacturing subsector based on the expectation that the power supply situation will remain stable. This re-emphasises the importance of implementing deliberate strategies to fix the electricity supply challenges resulting from the lack of funds for the purchase of fuel for power generation.

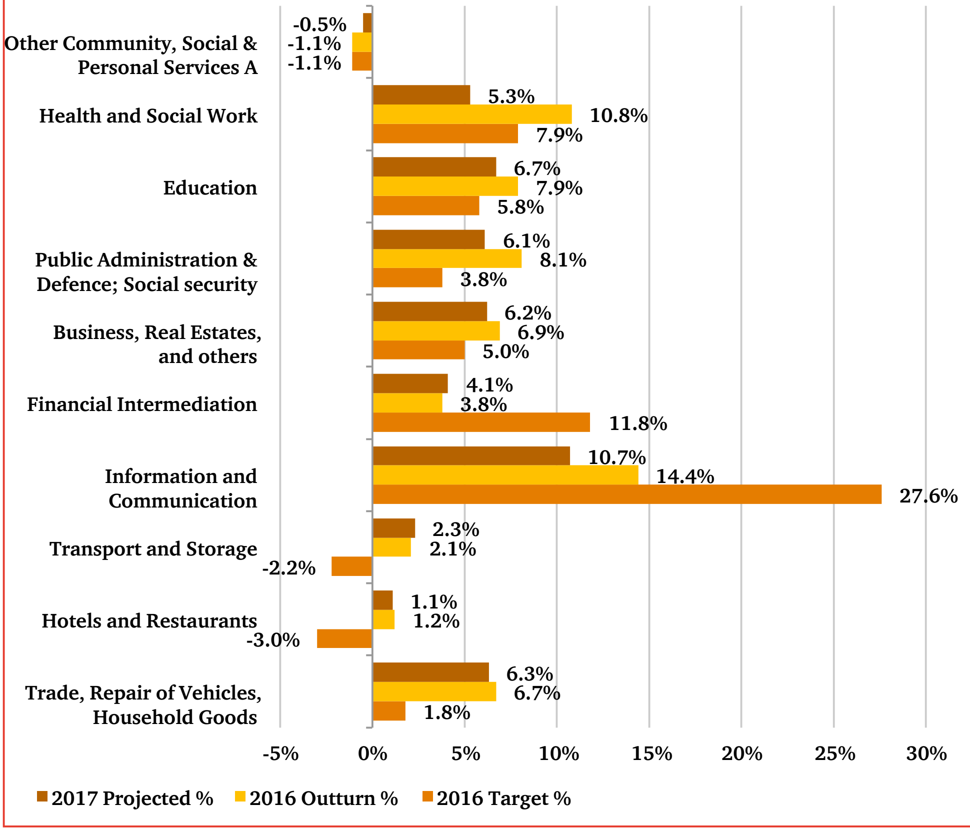
Government must be cautious of the impact the reduction of certain taxes such as the "abolishment of the 1% special import levy" could have on the economy as this could cause an influx of cheaper finished goods which could in turn stifle the growth of less mature local businesses including the "one district, one factory".

Current projections for 2017 indicate positive expected growth rates across nine out of the ten subsectors.

Services Sector

The Services sector is expected to continue to be the largest sector in 2017 with a projected 5.1% growth. Current projections for 2017 indicate positive expected growth rates across nine out of the ten subsectors with the highest projected growth of 10.7% expected in the Information and Communications subsector. The Community, Social & Personal Services industry is the only subsector expected to decline, by 0.5%.

Performance of the Services Sector



Source: Budget Statement 2017

Government intends to invest in the growth of the Services sector by investing in various projects such as the development of railway lines across the country to aid in the transportation of goods and people. These measures are expected to encourage private investment into subsectors such as Trade, Repair of Vehicles, Household Goods as well as the Transportation and Storage subsectors.

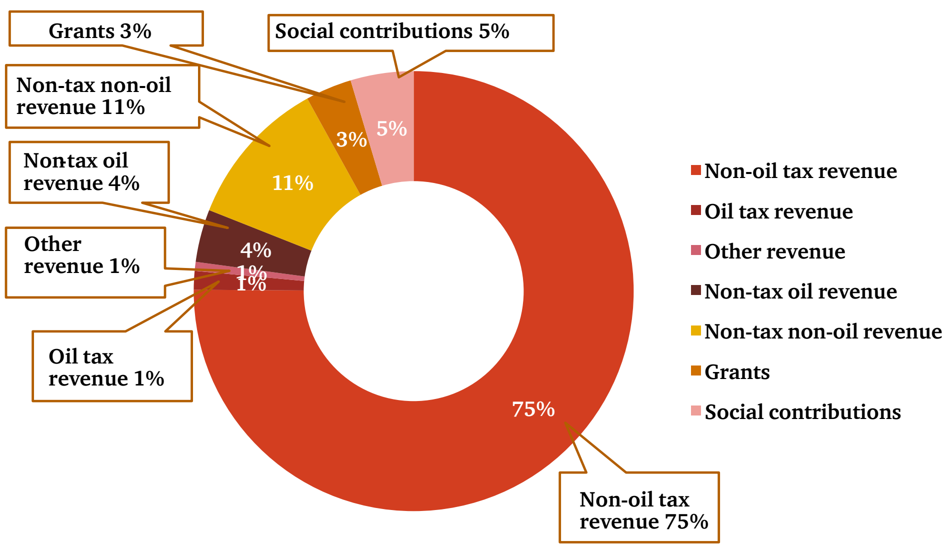
Fiscal Developments

Revenue

Total revenue and grants is expected to increase by 34% from GH¢33,678.20 million in 2016 to GH¢44,961.60 million in 2017 driven mainly by tax revenues resulting from an increase in income and property tax and international trade taxes. The latter will be achieved through a reduction in exemptions and improved trade facilitation measures.

- Total revenue and grants for 2016 amounted to GH¢33,678 million compared to a revised budget of GH¢37,889 million, marking a shortfall of 11.1% and representing 20.0% of GDP.
- The shortfall in total revenue and grants was largely caused by the impact of energy challenges on households and firms, low petroleum receipts as a result of lower than expected crude oil price and production, and non-realisation of proceeds from both tax and non-tax categories.
- With the exception of taxes on goods and services which exceeded the target marginally, all the other tax types, as well as foreign grant disbursements fell below their respective targets.
- Although on a year-on-year basis the nominal outturn of tax revenue was 16.5% higher than the outturn for the same period in 2015, the nominal growth of 25.5% on a year-on-year basis between 2014 and 2015 indicates a more robust performance in 2015 compared to 2016.
- In 2017, Government budgets total revenue and grants of GH¢44,961 million. This represents an increase of 33.5% over 2016 actual and 22.1% of GDP. While Government expects to grow its total revenues, it has initiated policies to either abolish or reduce a number of taxes. The review of taxes is expected to encourage production of goods and services. The chart below shows the sources of budgeted total revenue for 2017.

2017 Budget revenue sources



Source: 2017 Budget Statement

The Economy

The Economy

Government's key policy thrust for the economy is a shift away from taxation to production over the medium term. In this light, a number of tax cuts and reductions have been proposed to encourage production, especially in the private sector, and this is expected to improve tax revenues.

While this policy initiative is laudable, the outcome of improved tax revenue may not be achieved, at least in the short term. In addition to these tax initiatives, the private sector also requires available market and healthy underlying macro-economic variables such as favourable interest rates and a stable currency to thrive. To achieve the revenue target for 2017, Government intends to broaden the tax net, reduce exemptions by eliminating discretionary tax waivers at the Ports and only grant waivers on application to the Ministry of Finance. We believe this policy is in the right direction and will address incidences of unwarranted waivers by Port officials.

Petroleum Receipts

Total petroleum receipts for 2017 is expected to increase to US$515.67 million (GH¢2,358.18 million) from US$247.18 million (GH¢972.55 million) in 2016, representing about 108% increase.

Total petroleum receipts (i.e. proceeds from Jubilee liftings and other petroleum receipts) as at the end of 2016 was US$247.18 million (GH¢972.55 million), compared with the 2015 receipts of US$396.17 million (GH¢1,449.92 million).

In 2017, Government expects to make total petroleum receipts of US$515.64 million based on oil price forecast of US$56.14/ bbl. The sum of the field-by-field averages of the three producing fields –Jubilee, TEN and SGN (SGN will start production in the second half of 2017) – will yield a 2017 crude oil output of 43,875,920 barrels, compared to 32,209,060 barrels in 2016.

Compostion of Petroleum Receipts	Jan-Dec 2015 (Actual) US$million	Jan-Dec 2016 (Actual) US$million	Jan-Dec 2016 (Budget) US$million	Jan - Dec 2017 (Budget) US$million
Jubilee Royalties	104.21	57.85	111.70	134.87
Carried and Participating Interest	270.08	149.94	293.00	379.31
Surface Rentals	0.47	0.47	-	1.49
Royalties from SOPCL	-	-	1.10	-
Corporate Income Tax	20.41	29.55	27.90	-
PHF Interest	0.03	0.07	-	-
Price differentials	0.42	-	-	-
Gas Royalties	0.02	0.38	-	-
Gas and Participating Receipts	0.53	8.92	68.40	-
Total	396.17	247.18	502.10	515.67

Source: 2017 Ghana Budget Statement

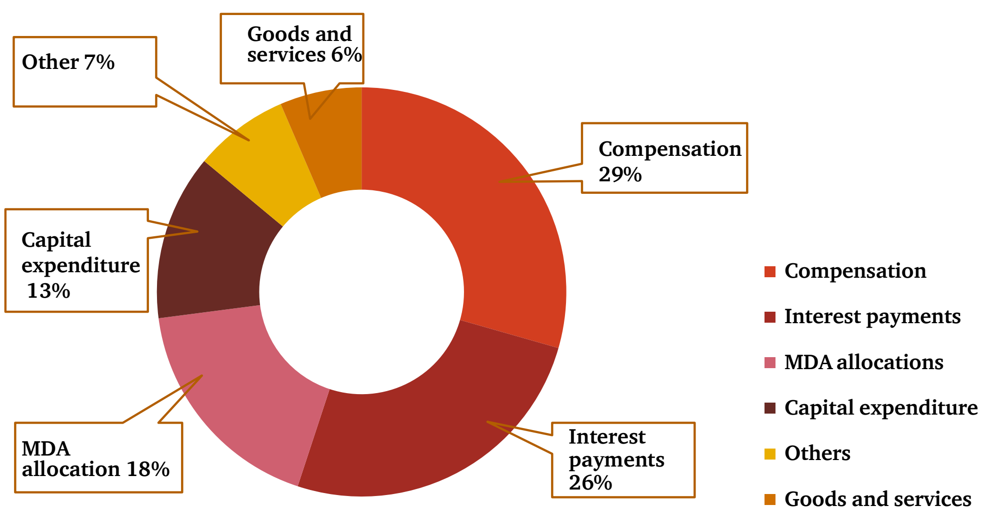
Oil revenue budget for 2017 is US$515.7 million, based on benchmark revenue crude oil price of US$56.14/ bbl. Given the volatility in oil prices, actual revenues may vary significantly. Although OPEC has agreed to cut volumes by some 1.2 million barrels per day, Libya, Iran and Nigeria have indicated intention to increase supply of oil onto the market and this could put pressure on oil prices, thus affecting Government's revenue target. Also, the revenue from the TEN field could be affected by the maritime dispute with Ivory Coast and depending on the outcome, this may impact the realisation of the projected revenue from petroleum receipts.

Expenditure

Government projects total expenditure to increase by 6.4% to GH¢54,394.79 million in 2017

- Total expenditure for 2016 amounted to GH¢51,125.04 million (30.3% of GDP) against a revised budget of GH¢43,983.84 million (26.4% of GDP). Total expenditure exceeded the revised budget by 16.2%.
- Expenditure on compensation to employees (wages, salaries and social contributions) for the period from January to December 2016 totalled GH¢14,164.79 million, against a revised budget of GH¢13,730.92 million.
- Interest payments on domestic and external borrowings for the period amounted to GH¢10,770.44 million. This was 2.7% higher than the revised budget of GH¢10,490.26 million. Of this total amount, domestic interest payment amounted to GH¢8,466.37 million representing 79% of total interest payments.
- Total capital expenditure for 2016 amounted to GH¢7,678 million, exceeding the revised budget by 20%. The foreign financed component of total capital expenditure was GH¢5,629.57 million representing 73% of total capital expenditure.
- Government projects total expenditure to increase by 6.4% from GH¢51,125.04 million in 2016 to GH¢54,394.79 million (26.7% of projected GDP) in 2017. The chart below shows the breakdown of budgeted expenditure for 2017.

2017 Budget expenditure split



Source: Ghana Budget Statement 2017

Government's anticipated social interventions including the free Senior High School commencing in the 2017/2018 academic year, the Zongo Development initiative, the allocation of US$1.0 million to each constituency as well as high interest payments could lead to budget overruns if revenue does not perform as expected and other sustainable sources of funding are not found to maintain these initiatives. Government will have to improve domestic revenue mobilisation efforts including the use of Electronic Point of Sale devices to monitor the collection of VAT and the full implementation of the Excise Tax Stamp Act, 2013 (Act 873) in order to meet its target budget deficit of 6.5%.

The Economy

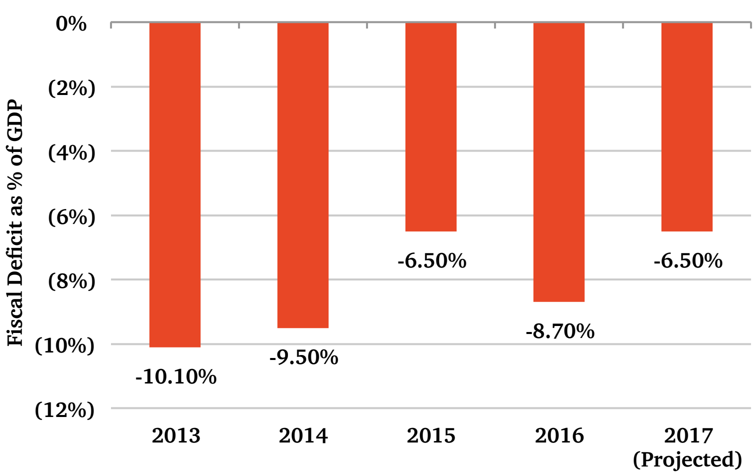
Other policy initiatives which we believe would be helpful in this regard are the roll out of the National Identification and digital property addressing systems. In our view, these policy initiatives, if properly implemented will enhance revenue mobilisation.

Deficit

Overall budget deficit on cash basis for 2016 was 8.7% compared to target of 5.3% under the IMF Extended Credit Facility Programme. Government is targeting 6.5% in 2017.

- In 2016, the overall budget deficit on cash basis was the equivalent of 8.7% of GDP against the IMF Extended Credit Facility Programme target of 5.3% of GDP. On commitments basis, the fiscal deficit was 10.3% of GDP. This was mainly as a result of large fiscal slippage and poor revenue performance. The deficit was financed from a mix of domestic and foreign sources. Domestic financing comprised solely marketable instruments in the wake of the first year of implementation of zero central bank financing. Foreign financing included project loan disbursements on on-going projects, and a sovereign bond issue to partially refinance the maturing bond in 2017 and for budget support.
- Based on the revenue and expenditure estimates, the 2017 budget will result in an overall budget deficit of GH¢13,175.7 million, equivalent to 6.5% of GDP down from 8.7% in 2016. Financing of the deficit will be from both domestic and foreign sources. Net Domestic Financing is estimated at GH¢14,579.5 million, equivalent to 7.1% of GDP, and includes additional financing from divestiture proceeds of GH¢1,829.2 million. Net foreign financing is estimated to constitute a net repayment of GH¢1,317.4 million, equivalent to 0.6% of GDP.

Budget deficit since 2013



Source: Ghana Budget Statement 2017

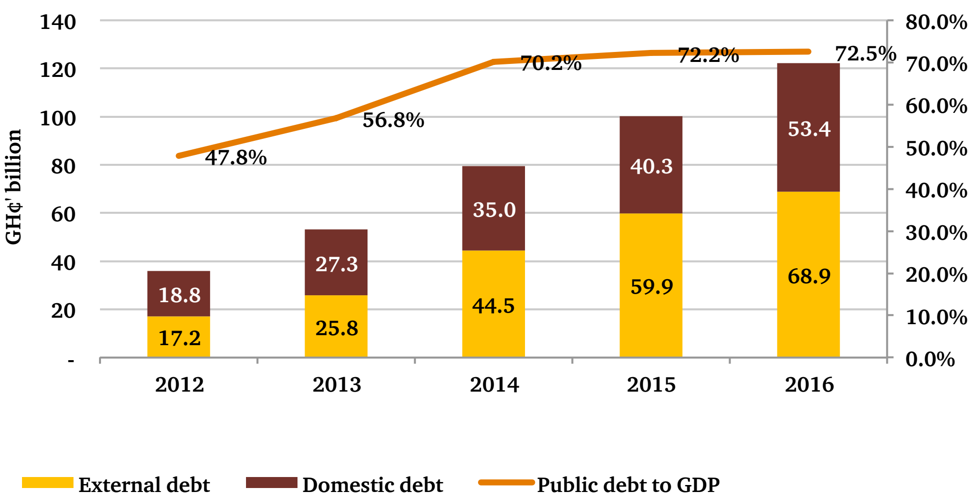
Government's original deficit target for the medium term in line with the IMF Extended Credit Facility Program was set at 3.0% by the end of 2018. However, in view of the deficit of 10.3% of GDP on commitment basis and 8.7% on cash basis recorded in 2016, mainly as a result of large fiscal slippage and poor revenue performance, coupled with Government's planned developmental programs for 2017, the Government has revised its budget deficit target to 6.5% in 2017. While this target is reasonable, its attainment is largely dependent on whether or not Government will be able to achieve the revenue target. Government must therefore aggressively pursue the measures intended to address the fiscal deficit through improved revenue mobilisation, efficient management of public expenditures as well as prudent debt management.

Public debt

Total Public debt stock stood at 72.5% of GDP as at the end of 2016.

- The public debt stock stood at 72.5% of GDP as at the end of 2016 from 72.2% of GDP in 2015. On a nominal basis, the provisional debt stock as at December 2016 stood at GH¢122,263.01 million (US$29,227.15 million). This was made up of GH¢68,859.62 million (US$16,460.99 million) for external debt and GH¢53,403.39 million (US$12,766.16 million) for domestic debt, representing 40.8% and 31.6% of GDP respectively.
- Government's public debt stock target for 2017 is GH¢144,218.02 million. This is aimed at achieving its fiscal policy objectives and is equivalent to 70.9% of the projected GDP.

Public Debt Development



Source: Ghana Budget Statement 2017

Government should adhere to its debt management strategies, as articulated in the 2017 Budget Statement. These include:

- *channelling concessional loans and grants to finance social infrastructure;*
- *utilising non-concessional borrowing for self-financing capital projects; and*
- *instituting escrow mechanisms for on-lent facilities.*

This will ensure consolidation of potential gains that may be derived from the use of funds raised from the issue of sovereign bonds and ultimately ensuring macro-economic stability in the short to medium term. Government should consider diversifying the sources of long-term financing to help improve the fiscal situation as well as a strict enforcement of the Public Financial Management Act 2016, (Act 921).

The Economy

Money Supply ("M2+") recorded an annual growth of 22.0% as at the end of December 2016 mainly on the back of significant growth recorded in Net Foreign Assets ("NFA"). This outturn is lower than the 26.1% annual growth recorded in 2015.

Money Supply

- The key monetary aggregates recorded slower growth in 2016 in line with the tight monetary policy stance. The broad money supply growth, including foreign currency deposits ("M2+"), declined in year-on-year terms. At the end of December 2016, M2+ recorded an annual growth of 22.0% compared with 26.1% in the same period of 2015. This was mainly driven by a moderate growth of 19.5% in Net Domestic Assets ("NDA"), against 25.5% growth recorded as at end of December 2015.
- The moderate pace of growth in the NDA offset the higher Net Foreign Assets (NFA) growth of 29.8% recorded in December 2016, as against 28.1% in December 2015. Broad money supply, excluding foreign currency deposits ("M2"), grew by 24.6% in December 2016, slightly lower than the growth of 26.6% recorded in December 2015.

The moderate growth recorded in NDA reflects the effects of declines in treasury bill rates in 2016. In particular, the 91-Day and 182-Day Treasury bill rates declined from 23.1% and 24.4% at the end of December 2015 to 16.8% and 18.5% as at the end of December 2016 respectively. This made investments in Treasury bills and GoG bonds less attractive, resulting in Government's inability to significantly increase NDA through the issuing of treasury bills and local currency-denominated bonds.

On the other hand, the significant growth in the NFA has resulted mainly from the tight monetary policy stance adopted by Government in an attempt to tackle inflationary pressures. BoG should balance its commitment to bring down inflation with business pressure to lower interest rates in order to accelerate economic growth.

Credit to the private sector contracted by 0.8% in 2016 when compared to private sector credit in 2015. The private sector accounted for 84.7% of total outstanding credit as at the end of December 2016

Credit to the private sector

- Private sector credit growth was 14.4% year-on-year, against 24.5% recorded in 2015. In real terms, private sector credit contracted by 0.8% in December 2016, compared with a growth of 5.8% recorded in December 2015. Total outstanding credit stood at GH¢35,409 million at the end of December 2016, of which the private sector accounted for 84.7%.

A number of factors account for the decline in growth of credit to the private sector. Among them are the excessive borrowings from the domestic market by Government, which resulted in high average lending rates, and the general low economic activities in the year. Also important is the increase in Non-Performing Loans ("NPLs) in 2016 (as reported in BoG's Financial Stability Report ("FSR"), September 2016) which led to a further rise in lending rates, and the banks unwillingness to increase credits to the private sector.

Government's commitment to decrease its borrowings, particularly from the domestic market in order to reduce the crowding out effect on the private sector is commendable.

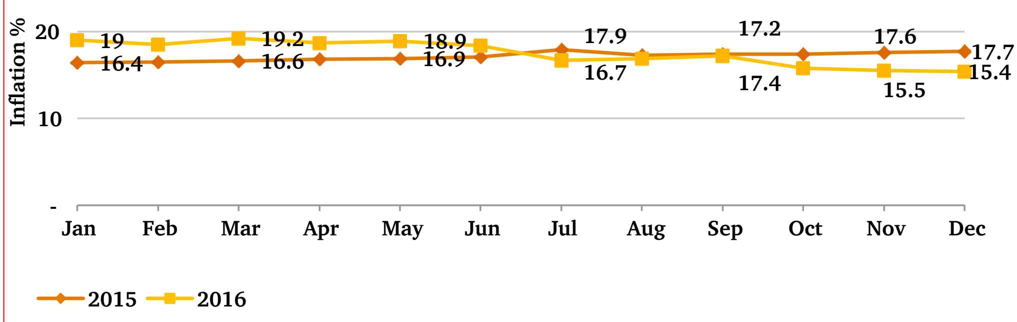
Headline inflation eased from 17.2% as at the end of December 2015 to 15.4% at the end of December 2016 after peaking to 19.2% at the end of March 2016. This was mainly influenced by a significant decline in non-food inflation as food inflation relatively recorded only marginal increase over the same period. The slowdown in inflation was as a result of a relatively stable exchange rate which did not occasion any major adjustments in utility and transportation prices.

Inflation

- Headline inflation continued to ease in the last quarter of 2016, slowing down from 19.2% in the first quarter of 2016 (17.7% in December 2015) to 15.4% in December 2016, although it missed the revised target of 13.5% for 2016. The ease in the headline inflation was driven mainly by a combination of monetary policy tightening over the past years and relative stability of the exchange rate.
- The slowdown in inflation was influenced mainly by movement in the prices of non-food items. Non-food inflation improved from 23.3% in December 2015 to 18.2% in December 2016,

supported by stability in the value of the Ghana Cedis and favourable base effects arising from the upward revision in petroleum products prices a year earlier. In contrast, food inflation worsened from 8.0% in December 2015 to 9.7% in December 2016, driven largely by domestic food components.

Monthly year-on-year Inflation rates: 2015 vs. 2016



Source: BoG Monetary Policy Report, Jan 2017

Government projects average inflation to decline to about 12.4% in 2017 and further decline to 8.0% in 2018. There is the need to proceed cautiously as the planned tax incentives or removal/reduction in taxes could also lead to further increase in import related inflation through demand pressure on foreign exchange for imports.

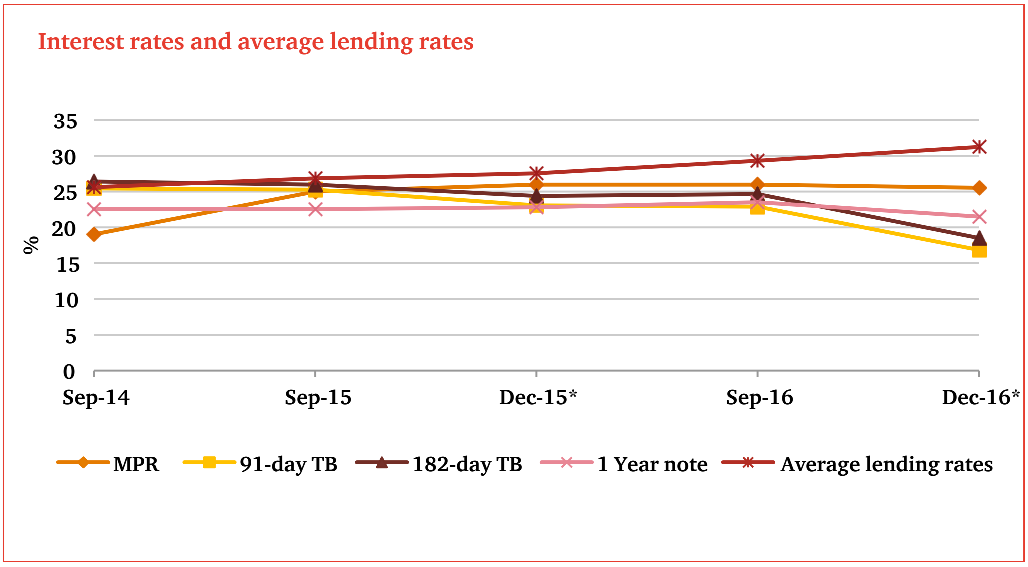
A more sustainable way of dealing with inflation is for Government to focus on measures targeted at increasing the productive capacity of the economy within the short to medium term, thereby increasing the supply of goods and services which consequently eases inflation. Government planned policies such as the 'One District, One Factory', 'One Village, One Dam', and the various tax reliefs aimed at increasing productivity are a step in the right direction.

Interest rates

Interest rates in the mon-ey market reflected mixed trends. Whilst yields on short-term Government securities decreased, those of medium to long-term GoG bonds increased, de-picting a positively slopped yield curve.

- Yields on short-term Government securities decreased, while those of medium to long-term GoG bonds increased. This is consistent with Government policy to properly align the yield curve and extend the maturity profile. The yield on short dated treasury securities declined significantly in December 2016.
- Bank of Ghana ("BoG") decreased the Monetary Policy Rate ("MPR") from 26.0% in December 2015 to 25.5% in December 2016. However, the average lending rate moved up to 31.2% in December 2016 from 27.5% in December 2015.
- In order to reduce the high lending rates in Ghana, Government intends to cut down on borrowings, particularly from the domestic market, as this usually leads to a crowding out effect on the private sector through increased lending rates. However, Government's intention of borrowing more than GH¢13 billion domestically to finance its budget deficit does not lend itself to realising this objective this year.

The Economy



*Source: BoG Statistical Bulletin, October 2016;*2017 Budget Statement and Economic Policy*

Although Government has resolved to cut down on borrowings to correct the large fiscal deficit that has been recorded in 2016 and the first quarter of 2017, the rapid depreciation of the domestic currency presents a risk of the interest rate declining further. These two developments have the potential to increase inflationary pressures which will call for further monetary policy tightening by increasing the MPR. This could have an upsurge effect on average lending rates and defeat the purpose of Government's resolve to cut down on borrowings.

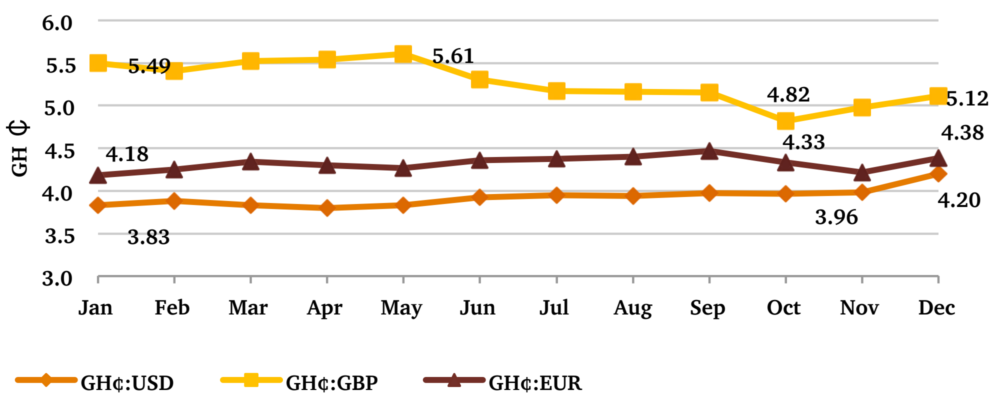
Financial institutions continue to increase their lending rates, despite the relatively stable trend in Government treasury rates and the BoG prime rate. Whilst this appears to stem from the high NPLs, it could be an indication of declining confidence in the creditworthiness of the private sector. Government should be committed to its plans of significantly cutting back on its domestic borrowings in order to decrease the pressure on interest rates.

The Ghana Cedi remained relatively stable against the major currencies during the first quarter of 2016 as a result of tighter monetary policy and improved foreign exchange inflows. However, the foreign exchange market witnessed some volatility during the last quarter of 2016, as demand pressures mounted.

Exchange rates

- The Ghana Cedi remained relatively stable against the major currencies, on account of tighter monetary policy and improved foreign exchange inflows. However, the foreign exchange market witnessed some volatility in the run-up to the December 2016 elections, as demand pressures mounted.
- The Ghana Cedi recorded a cumulative depreciation of 9.6% and 5.3% against the US dollar and the Euro respectively, but appreciated by 10.0% against the pound sterling in the interbank market in 2016. The rate of depreciation was lower in comparison with cumulative depreciation of 15.7%, 6.2% and 11.5% against the dollar, euro and the GB pound sterling respectively, in 2015.

Monthly trend in exchange rates- 2016



Source: BoG Monetary Policy Report, Jan 2017

Although exchange rates appeared to have been largely stabilised in the second half of 2016 largely due to inflows from the Eurobond (US$750 million), COCOBOD syndicated loan (US$1,800 million) and the IMF ECF programme (US$116.2 million) in the third quarter of 2016, the first quarter of 2017 has so far seen further depreciation of the local currency against the major trading currencies, particularly the USD. The depreciation of the local currency in the first quarter reflects the rippling effects of expenditure overruns in the last quarter of 2016 and uncertainties surrounding the elections, thereby increasing demand pressures.

Government intends to more than double GDP growth from 3.6% in 2016 to 7.4% over the medium term (2017-2019). Also, inflation is to decline from 15.4% at the end of 2016 to an average of 8% while overall fiscal deficit is expected to reduce from 10.3% in 2016 to 3.0% by the end of 2019.

Short to medium term macroeconomic outlook (2017-2019)

Macroeconomic targets for 2017:

- Overall real GDP (including oil) growth of 6.3%;
- Non-oil real GDP growth of 4.6%;
- End year inflation target of 11.2%;
- Average inflation rate of 12.4%;
- Overall fiscal deficit of 6.5 % of GDP;
- Primary surplus of 0.4 % of GDP; and
- Gross Foreign Assets to cover at least 3 months of imports of goods and services.

Medium term real GDP growth:

Item	2017	2018	2019	Average
Agriculture	3.5%	4.0%	4.2%	3.9%
Industry	11.2%	17.6%	8.5%	12.4%
Services	5.1%	7.3%	7.4%	6.6%
Overall GDP (excluding oil)	4.6%	6.0%	6.1%	5.6%
Overall GDP (including oil)	6.3%	9.1%	6.9%	7.4%

Source: 2017 Budget Statement

The Economy

Macroeconomic targets for medium term (2017-2019):

- Overall real GDP growth to average 7.4 %;
- Real non-oil GDP growth to average 5.6 %;
- Inflation to be within the target band of 8±2 % in the 2018-2019 period;
- Overall fiscal deficit to reduce to 3 % by the end of 2019; and
- Gross Foreign Assets to cover not less than 3.5 months of import of goods and services in the medium-term.

Considering the actual real oil GDP growth of 3.6% for 2016, the target real oil GDP growth of 6.3% for 2017 does not appear to be overly aggressive. This is however significantly dependent on whether the key policies adopted to drive growth will have the desired impact and the oil production for the year will be realised. In particular, the various tax initiatives, whilst targeted at boosting private sector growth, could also lead to a decline in Government revenue in the short term considering that the desired impact of these initiatives may only manifest within the medium to long term.

Going forward, it is critical for Government to constantly monitor the implementation of the many policy initiatives planned for 2017, and intermittently assess their impact on overall economic growth to ensure that the policies are resulting in their desired impact and where lapses exists, pragmatic steps are taken to address them.

The Economy

2017 Budget Highlights

Direct Taxation

The Minister of Finance acknowledged that revenue mobilisation remains a challenge in Ghana. In light of this, Government has proposed a number of measures to increase domestic revenues. In general, the measures seek to strengthen tax administration, grant tax incentives, combat tax evasion and guard against revenue leakages. This section analyses the specific measures to broaden the tax base and incentivise private investors.

Intensifying transfer pricing and integrated audits

Intensifying Transfer Pricing ("TP") audits and integrated audits

Government proposes to equip GRA to build capacity to conduct TP audits in the extractive sector and conduct integrated audits in free zones and specialised sectors.

The Transfer Pricing Regulations, 2012 (L.I. 2188) came into force in 2012 to ensure that taxpayers price related party transactions at arm's length. This is to ensure that Government gets a fair share of revenues. However, little has been done in enforcing the law thereby negatively impacting tax revenue. Intensifying TP audits and enforcing the related rules is long overdue.

Integrated audits is also one proposal that could lessen the cost of audits on taxpayers. This will take the form of harmonising the audits from various divisions of GRA to promote information exchange and make the process more efficient.

Increasing compliance with PAYE

Ensuring compliance with employment income tax obligations

The Minister reported that only about one third of individuals in employment are captured on the records of GRA.

The above suggests that the majority of individuals engaged in employment do not pay tax on their employment income. To avert this, Government proposes to ensure that all employers file Annual Tax Deduction Schedules. In addition, relevant records at SSNIT and GRA will be reconciled. This reconciliation will reduce the tendency of employers deducting SSNIT payments from their employees' salaries and taking deductions from taxable profits without remitting such amounts to SSNIT for timely investments.

The requirement for employers to file Employer's Annual Tax Deduction Schedule was a provision in the erstwhile Internal Revenue Act, 2000 (Act 592) but its implementation left much room to be desired. Some key questions to ask therefore are: why was this provision not enforced, and what new tax administration measures will Government put in place to ensure that employers comply with this requirement?

Tax credit and incentives for hiring young graduates

Granting tax credits and incentives to employers hiring young graduates

The Government intends to grant tax credits and other tax incentives to employers hiring young graduates.

The budget did not indicate how the proposed tax credit will be structured and administered. Also it did not mention whether this proposal will complement or replace the existing Fresh Graduate Tax deduction granted under the Income Tax Act, 2015. Our expectation however is that the words "young" and "fresh" would not be considered different for the purpose of the law and the existing tax deduction will only be changed to tax credit. Or is it the case that the law will provide an age limit for benefiting from this policy?

Capital market tax exemptions

Exemption of taxes on gains on securities and stamp duties on issue of capital

Government proposes to:

- exempt gains from realisation of securities listed on the Ghana Stock Exchange ("GSE") or publicly held securities approved by the Securities and Exchange Commission ("SEC") from taxes; and
- exempt the financial service industry from stamp duty for two years.

Gains from sale of securities are subject to income tax if they meet specified conditions. Also the issue of shares and secured debts as a means of raising capital is subject to a stamp or capital duty of about 0.5%.

Until November 2015, gains from realisation of securities on the GSE were exempt from income taxes. The Income Tax Act, 2015 did not renew this waiver, causing concerns for investors. Government plans to restore the waiver in the hope of boosting investment and strengthening Ghana's capital market.

As regards the two-year stamp duty exemption for the financial sector, a question that naturally comes to mind is the equity and efficiency justification for this

Direct Taxation

policy. Another question worth asking is whether or not the capitalisation of profits will attract dividends tax. There is the potential for an exemption creep where other sectors push for similar exemption on re-capitalisation. Government must monitor the effectiveness of this policy and must also ensure that this temporary measure does not fall into the trap of unjustifiable revenue leakages as is the case for a number of existing tax benefits.

Implementing self-assessment regime for small taxpayers

Extending the coverage of self-assessment regime

Government proposes to pilot the self-assessment system in five selected Small Taxpayer Offices.

At present, companies registered with the Large Taxpayer Office and Medium Taxpayer Office are required to self-assess to income tax. Government is considering extending the coverage of the self-assessment regime to companies registered with the Small Taxpayer Office, provided the pilot project is successful. To ensure a successful pilot and full implementation, the GRA must provide intensive taxpayer education and also build its own capacity for tax audits and investigations. The 3% turnover-based presumptive income tax regime should also be implemented and punitive measures applied for non-compliance to deter defaulters.

Taxing the informal sector

Taxing the informal sector

Government intends to re-launch the national identification scheme and roll out a national digital address system as a means to improving taxpayer identification, capture the untaxed sector and ultimately broaden the tax base.

The National Identification Authority Act, 2006 (Act 707) was passed to give mandate to the National Identification Authority to issue National ID cards to residents and to manage the National Identification System. This was part of measures to provide data for socio-economic policy making. In the 2016 Budget, Government indicated its commitment to re-launch the national identification initiative but that could not be done.

In our opinion, the proposal to reconsider the national identification system and introduce the national address system is a policy in the right direction. A key quality of a good tax administration is the ability of the tax authorities to identify taxpayers. The absence of taxpayers identification may be deemed as "default exemption" for taxpayers operating outside the formal sector. We hope the Revenue Administration Act, 2016 (Act 915) which came into force in January 2017 will be helpful in enabling GRA identify taxpayers in the informal sector.

2017 Budget Highlights

Indirect Taxation

Indirect taxes continue to be a major source of Government revenue, forming about 61% of Government's expected tax revenues for 2017. Although indirect taxes as a percentage of total taxes is expected to decline in 2017, it is budgeted to grow by about GH¢ 6.0 billion in absolute terms over 2016. The Government expects to achieve this growth by strengthening its tax administration mechanisms through the roll out of point of sale devices, elimination of tax abuses, review of import exemptions/tax reliefs and full implementation of the excise tax stamp regime.

The key tax cut proposals and revenue enhancement initiatives on indirect taxes for 2017 are discussed below:

Abolishment of 17.5% VAT on financial services and domestic airline tickets

Abolishment of 17.5% VAT on financial services and domestic airline tickets

The 17.5% VAT on financial services and domestic airline tickets will be abolished.

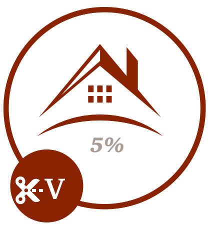
The Value Added Tax Act, 2013 (Act 870) introduced some changes to the VAT landscape of Ghana. These changes included imposition of 17.5% VAT on fee-based financial services and domestic air transport. Although the VAT Act came into force in January 2014, there were push-backs from the financial service and airline sectors leading to delayed effective implementation of those taxes to January 2015 and July 2015 respectively.

The abolishment of VAT on financial services may reduce VAT revenues. The general cost of doing business is also expected to reduce as several businesses were unable to obtain VAT invoices in support of such VAT costs.

Financial institutions, especially banks may have to re-programme their accounting and billing systems as soon as the relevant laws come into force and also ensure that VAT claims are made in accordance with prevailing laws. Arguably, profits may reduce as a result of the inability to make VAT claims, all else equal. The position for other financial institutions which never complied with the laws on VAT on fee-based financial services would have to be clarified as soon as possible.

Financial inclusion, especially in the informal sector, may not necessarily increase following the introduction of the Revenue Administration Act, 2016 (Act 915) which requires financial institutions not to deal with persons that do not have Taxpayer Identification Number ("TIN"), unless otherwise directed by the Commissioner-General ("C-G").

With regard to the domestic airline industry, the abolishment of VAT, if translated into lower ticket fares, should significantly increase the revenue of the industry as airfares may have elastic demand. This rise in revenues may increase income tax paid if the extra revenue exceeds the VAT costs which is no longer deductible as a result of the abolishment of the VAT on domestic airline tickets.



Removal of 5% VAT on Real Estate sales

Abolishment of 5% VAT on Real Estate sales

The 5% VAT on real estate sales will be abolished.

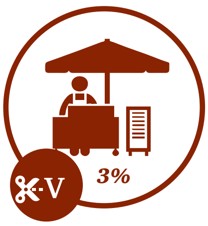
A 17.5% VAT rate was applied on real estate sales from January 2014 but revised to a 5% flat rate after intense lobbying from the real estate developers. This revision was effectively implemented from October 2015. However, since its implementation, there have been concerns about the slow growth of the real estate industry.

The abolishment of the 5% rate on real estate sales may be informed by Government's strategy of promoting affordable housing for the general public. We expect that the abolishment of the VAT would reduce the cost of acquiring real estate for individuals which may boost the sector and reduce the level of housing deficit in the country.

Abolishment of 17.5% VAT on selected imported medicines

Roll out of VAT electronic PoS

Replacement of 17.5% VAT rate with a 3% VAT flat rate for traders



Abolishment of 17.5% VAT on selected imported medicines

In the short to medium term, the 17.5% VAT on selected imported medicines that are not produced locally will be abolished.

Under the current VAT laws, the import of pharmaceuticals are exempt from VAT if they are listed in a VAT Regulation. In October 2015, a Value Added Tax Regulation, L.I. 2218, was introduced to provide a list of pharmaceuticals that will be exempt from import VAT. The question therefore is raised of how impactful this policy initiative will be if such a list already exist? Another question that has been raised is why the previous Minister of Health may not have included certain essential drugs on the list in the L.I. 2218.

While we wait for answers to the above questions we hope the current Government will monitor the activities of local manufacturers of drugs from time to time to ensure that imported drugs that are now manufactured in Ghana are subject to the appropriate taxes on importation.

Replacement of 17.5% VAT rate with a 3% VAT flat rate for traders

The 17.5% VAT will be replaced with a 3% VAT flat rate for traders.

With the proposal to re–introduce the 3% VAT flat rate scheme on retailers, we would expect that this will simplify the VAT compliance mechanism for qualifying traders. We can infer that the introduction of the flat rate scheme is in line with Government's strategy of broadening the tax net and enhancing compliance. A key consideration is whether or not the mere introduction of the flat VAT rate scheme would act as an incentive for traders to register and comply with their VAT obligations.

Prior to January 2014 the 3% flat rate applied to traders with business turnover of below GH¢90,000, which was the amount that qualified a person who makes taxable supplies to mandatorily apply to register for VAT. With the current mandatory general VAT registration threshold at GH¢ 200,000, we expect qualifying traders of the VAT flat rate scheme to be traders with business turnover of less than GH¢ 200,000.

Roll out of electronic PoS by third quarter of 2017

The Electronic PoS device project will be rolled out by the third quarter of 2017 to curb tax evasion and improve VAT collection.

The aim of this administrative measure is to ensure that the GRA is able to monitor the amount of VAT transactions on a timely basis. The introduction of the device will be a welcomed one as we expect that it will replace hand-written VAT invoices or at least be the default medium of issuing VAT invoices. This should go a long way to reduce VAT fraud and resultant revenue leakages.

Experiences from other countries indicate that where electronic PoS devices are approved by the tax authorities, the PoS devices are used as a means of validating tax invoices, and tax charged is communicated contemporaneously to the tax authorities. In addition, invoices issued using the devices are the only invoices that are acceptable for purposes of claiming a VAT credit/deduction. It is therefore recommended that all stakeholders are fully engaged in the roll-out process and necessary transitional provisions made to ensure a smooth and effective implementation of the project.

Indirect Taxation

Addressing import tax abuses

Elimination of abuses in the use of import duty exemptions

Government proposes to undertake a comprehensive review of the import duty exemption regime as a measure to eliminate abuses of such incentives.

The tax system in the country is replete with a number of import duty exemptions and tax reliefs. In 2017, tax savings of GH¢ 1.0 million is expected to be realised from the reduction in tax exemptions.

Government is expected to abolish the general use of special import permits and replace that with a refund system as a means of guarding against revenue leakages from tax incentive abuses.

We hope that Government will manage the proposed "refund regime" in an efficient manner so as to avoid cash flow challenges to businesses which will be eligible for refund. The transitional provisions should also clearly spell out how this new regime will impact existing beneficiaries of the tax exemptions/reliefs.

Waiver of import duties on raw materials

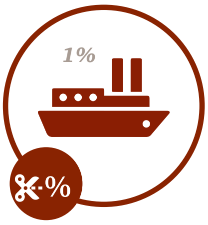
Waiver on import duties on raw materials and machinery for production

Government will initiate steps to remove import duties on raw materials and machinery for production within the context of the ECOWAS Common External Tariff ("CET") Protocol.

The ECOWAS CET was implemented in Ghana in February 2016. Under the CET, raw materials are generally subject to custom duties of up to 5%. In order to amend all concessionary rates for raw materials to 0%, Government will be required to observe the applicable protocols.

Should Government be successful, it would be a major boost for the manufacturing and industrial sectors as cost of production would reduce. This may also attract foreign direct investment into Ghana in support of Government's objective to improve the business environment and create more jobs.

Abolishing 1% special import levy



Abolishment of the 1% Special Import Levy and duties on spare parts

To promote a business-friendly environment, Government has proposed to abolish the 1% Special Import Levy on specified goods and duties on spare parts.

The Special Import Levy Act, 2013 (Act 861) ("SILA") was introduced in 2013 to impose a 1% or 2% levy on the importation of specified goods, up to December 2017. The 1% levy applies on machinery and equipment listed under Chapters 84 and 85 of the ECOWAS CET while the 2% levy applies on all other goods except petroleum products listed under Chapters 27 and 31 of the CET.

Abolishing the special import levy was a manifesto promise which the current Government seems keen on carrying through. Whilst this is welcome news for importers, the question remains as to why the 2% levy was not abolished. Perhaps, the removal of the 1% levy is to give Government a moral right to discuss the removal of custom duties on machinery with ECOWAS and/or to strongly indicate Government's desire to support industrialisation as soon as possible and not wait till December 2017, the time set for the levy to expire. It is hoped that the 2% levy will end in December 2017.

The removal of duties on spare parts may be part of Government's strategy of strengthening a targeted sector. At the moment, it is not clear, from the Minister's address to Parliament, the rationale behind the selection of spare parts traders for the import duty exemption.

We would expect Government to provide clarity on what constitutes spare parts and whether or not the incentive will be available to both individuals and companies, retailers and wholesalers alike. It is also important to consider whether the concession will be upfront or by refunds. The challenge of dumping spare parts into the country and abuse of the exemption would have to be carefully considered by Government.

We would expect that Government would put in place stringent measures at the ports and borders to ensure appropriate tracking of spare parts being imported to discourage importation of inferior spare parts and to discourage smuggling. Another issue is the potential agitation from other industries or trade groups for similar exemptions to be extended to them.

Implementing excise tax stamp regime

Full implementation of the Excise Stamp Act, 2013 (Act 873)

The excise tax stamp project for taxable supplies of goods will be fully rolled out to boost revenue collection and curtail under-invoicing and smuggling.

The law for Excise Tax Stamp should have been effective from 2 March 2015. A key purpose for the introduction of this law was to enable the GRA better monitor tax on excisable goods – whether produced locally or imported – in order to curb loss of Government revenue. However, stakeholders have had challenges complying with the mechanisms adopted by the tax administration to implement the regime.

To ensure a successful roll out of the project, Government should continue to hold consultative meetings with the business community, stakeholders and countries with success stories on the regime, to identify the reason for the failure since its introduction in Ghana.

The appropriate technology and administrative procedures, including payment for the stamps by the taxpayer, must be reviewed to amend all shortfalls associated with the existing system.

Reducing taxes on petroleum

Abolishment of excise duty on petroleum and reduction of special petroleum tax rate from 17.5% to 15%

Excise duty on petroleum will be abolished and special petroleum tax rate will be reduced from 17.5% to 15%.

The above changes in tax on petroleum is expected to partially address the rising price of fuel as a result of the recent depreciation of the local currency.

Reducing taxes on electricity

Reduction of National Electrification Scheme and Public Lighting Levies

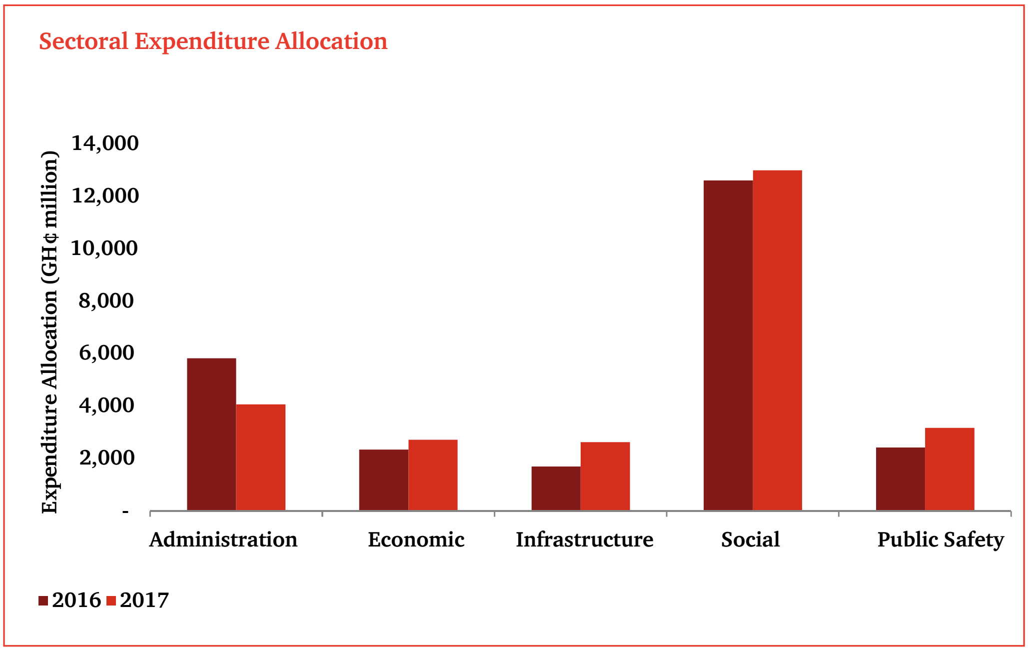
The National Electrification Scheme Levy will be reduced from 5% to 3%. The Public Lighting Levy ("street light tax") will also be reduced from 5% to 2%.

With Government's proposal to reduce the above levies, it is expected that this will ease the burden of electricity payment on businesses and households.

2017 Budget Highlights

Sectoral Outlook Overview

The Sectoral Outlook is broken down into five sectors namely: Administration; Economic; Infrastructure; Social; and Public Safety. The expenditure allocation for these sectors contained in the 2017 Budget Statement, compared with the position in the 2016 Budget is shown in the graph below:



Overall, Government has increased the sectoral expenditure allocation by 2.8% over the 2016 Budget. This increase appears to be modest, considering the aggressive nature of Government's policies and new initiatives as shown below:

- One District, One Factory;
- Small Business Development;
- Agriculture Input;
- One Village, One Dam;
- Water for All Projects;
- Sanitation Projects; and
- Zongo Development Fund.

The Social Sector has been allocated GH¢12,999 million this year, representing 51% of the total sectoral expenditure allocation. The two key beneficiary Ministries are the Ministries of Education and Health, which together represent 97% of the Social Sector's expenditure allocation. Compared to the 2016 Budget, there has been a 28% increase in expenditure allocation to the Education Ministry, mainly due to the implementation of the Free SHS system. The Health Ministry's allocation in 2017 has however reduced by 13%.

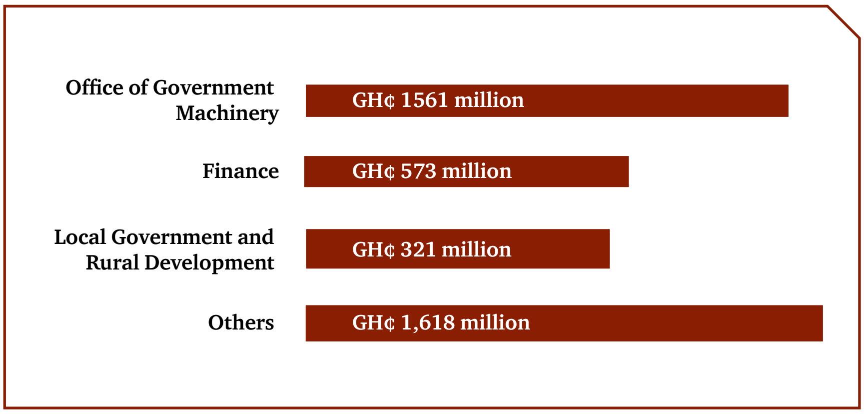
In this part of the Budget Highlights report, we set out details of Government's key initiatives and spending plans in 2017 for the five sectors noted above.

Sectoral Outlook

ADMINISTRATION SECTOR— KEY MINISTRIES

Budget Allocation

GH¢ 4,073 million



Office of Government Machinery

Under the IPEP, each of the 275 constituencies will be allocated US$1 million annually to be shared among the following key policy initiatives:

- One District, One Factory;
- One Village, One Dam;
- Small Business Development;
- Agriculture inputs, including equipment;
- Water For All Projects;
- Sanitation Projects; and
- Zongo Development Fund.

Budget allocation for the Office of Government Machinery more than doubled from GH¢718 million in 2016 to GH¢1,560 million in 2017. This was primarily as a result of the introduction of seven new ministries under the Office of the President in 2017, to ensure the successful execution of GoG's flagship initiatives highlighted above.

Ministry of Finance

For 2017, the Ministry of Finance plans to undertake the following:

- Implement the National Financial Inclusion Strategy ("NFIS");
- Implement the Ghana Deposit Protection Act, 2016 (Act 931);
- Implement the Savanna REDD+, Resilient Landscape for Sustainable Livelihood and Sustainable Energy Access projects;
- Undertake the Agriculture Census to estimate the real size and contribution of agriculture to the economy ;
- Deploy Electronic Point of Sales devices to ensure that VAT collections are monitored on a real-time basis by the GRA; and
- Implement the Excise Tax Stamp Act, 2013 (Act 873) to boost revenue collection.

According to a World Bank Report (2015), "Poverty Reduction in Ghana: Progress and Challenges," dated 2015, policies targeting infrastructure provision in a rural setting, directly lead to poverty eradication.

The 117% increase in the budgetary allocation for the Office of the Government Machinery in 2017, particularly IPEP, indicates Government's commitment to create jobs and tackle poverty eradication at the rural communities and also stem the tide of rural-urban migration.

However, for these flagship programmes to be successful, it is imperative that GoG implements sound systems and controls to prevent leakages and to ensure value for money at all stages of implementation.

The abolishing and reduction of some 'nuisance taxes' are a step in the right direction. It now behoves Government to compensate the revenue losses from the tax repeals with innovative revenue generation policies. Accordingly, it is expected that Government will roll out stringent measures to ensure tax compliance and also seal the loopholes in revenue mobilisation and collections.

Ministry of Finance (cont'd)

- Conduct and publish a Debt Sustainability Analysis ("DSA"), revise the Medium-Term Debt Strategy ("MTDS") to guide borrowing, and manage public debt at the lowest cost and at prudent levels of risk;
- Establish the Financial Stability Council ("FSC") and the Fiscal Council ("FC"); and
- Strictly enforce the PFMA, Act 921.

Budget allocation for MoF more than doubled from GH¢ 272 million in 2016 to GH¢573 million in 2017 mainly due to the implementation of several Acts and Strategies from the prior year as well as the setting up of the FSC and FC.

Ministry of Local Government and Rural Development

For 2017, Government plans the following:

- Ensure the election of MMDCEs, and decentralisation of the Lands Valuation Division of the Lands Commission;
- Review the National Urban Policy to reflect the New Urban Agenda;
- Create a common Geographic Information System ("GIS") for the establishment and implementation of a comprehensive Street Naming and Property Addressing database; and
- Rehabilitate 65 Small Earth Dams in rural communities in Northern Ghana.

Budget allocation for the Ministry increased by 41% from GH¢229 million in 2016 to GH¢321 million in 2017. The main Government programme driving this increase is the implementation of the National Address System as well as the election of MMDCEs in 2017.

Others

The other MDAs under the Administration Sector include the Parliament of Ghana, Audit Service, Ministry of Foreign Affairs, Ministry of Information and the Electoral Commission.

GoG's key initiatives in 2017 under some of these MDAs include:

- Develop a Strategic Plan for the take-off of the Parliamentary Training Institute;
- Develop a preparatory framework for the conduct and supervision of the 2019 district level elections by the Electoral Commission; and
- Open four new Passport Application Centres ("PAC") in the Upper East, Upper West, Eastern and Central Regions, and a second PAC in Tema to serve the Greater Accra Region and enhance service delivery.

While the establishment of the FSC is a laudable idea, GoG must ensure that the Council works hand-in hand with BoG in order not to be seen to be usurping the powers of the Central Bank.

With the FC, steps must be taken to ensure that the Public Financial Management Act, 2016 (PFMA), Act 921 which will give legal backing to the Council is amended quickly, and its membership should include independent and professional individuals.

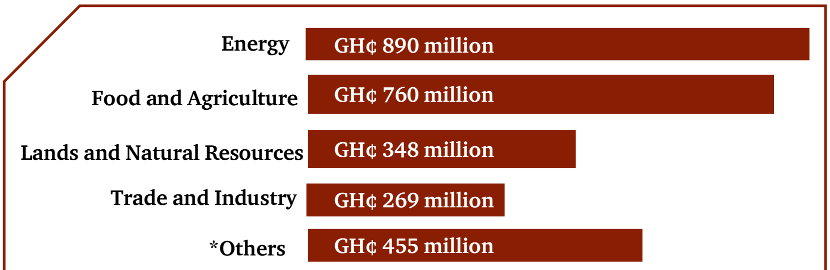
GoG's allocation of GH¢11 million to the creation of the National Digital Addressing System is a demonstration of Government's commitment to building a national data base to enhance efficiency in the public and private services, as well as attempting to mitigate the risks associated with lending by banks. For instance, this initiative will assist GRA in the identification of businesses and properties for revenue collection and will also serve as a tool for identifying and monitoring public assets and properties.

Sectoral Outlook

ECONOMIC SECTOR —KEY MINISTRIES

Budget Allocation

GH¢2,722 million



*** Others include: Ministry of Environment Science Technology & Innovation (GH¢349 million), Ministry of Tourism, Culture & Creative Arts (GH¢44 million), Ministry of Fisheries & Aquaculture Development (GH¢62 million)**

Ministry of Energy

Some of the key initiatives include:

- Spend GH¢49.73million on rural electricity, consumer lifeline for electricity and subsidies;
- Increase the installed generation capacity by adding 1,227MW of installed capacity;
- Assist Bui Power Authority to complete 50MW Solar Hybrid Project
- Implement Phase 1 of China International Water & Electric Corporation (CWE) projects for five regions and construction of additional storage tank (100,000 MT) for gasoline and gasoil in Western Region; and
- Convert FPSO Kwame Nkrumah to a permanently spread-moored.

The Ministry of Energy has been allocated 33% of the total budget for the Economic sector as against 39% in 2016. The reduction of the energy sector budget allocation from GH¢925million in 2016 to GH¢890million in 2017 is due to the high level of private sector participation anticipated.

Ministry of Food and Agriculture

The key initiatives GoG aims to achieve under this sector include:

- Launch the "Planting for Food and Jobs" campaign;
- Revamp existing Agriculture Mechanisation Service Enterprise Centres ("AMSECs") and support the private sector to establish, manage and provide affordable mechanisation services to farmers;
- Identify and rehabilitate small and medium scale irrigation schemes to support the "One Village One Dam" campaign;
- Develop about 2,300ha of land for investors to produce rain-fed rice; and
- Rehabilitate and construct 54 warehouses for storage purposes.

The allocation for Ministry of Food and Agriculture represents 28% of the entire budget of the Economic sector. In 2016, an amount of GH¢502million was allocated to the sector compared to an expenditure allocation of GH¢760million in 2017. The increase in the 2017 budget allocation for the Ministry is mainly driven by irrigation infrastructure and Greenhouse projects GoG intends to undertake.

It is noteworthy that the success of the "One District One Factory" project would hinge on a reliable and cost efficient power supply. Given the precarious nature of the sector financing resulting in high debt accumulation, Government should expedite action on the amendment of the ESLA (Act 899) to address this debt issue. Finally, the disagreement between the stakeholders (ECG, labour and MiDA) of the Compact II programme should be addressed as soon as possible to bring about the necessary restructuring and reforms required to ensure efficiency in the power distribution sub-sector.

The Agriculture sector employs about 44% of the labour force, hence more investment is required to boost job creation and increase income levels of farmers. Agricultural mechanisation and modernisation are paramount in realising the sector's potential in driving growth and eradicating poverty. It is therefore welcoming that Government intends to revamp AMSECs and support the private sector to establish, manage and provide affordable mechanisation services to farmers.

In order to attract more youth to the agriculture sector, we also recommend that Government intensifies action on the e-agriculture agenda along the entire value chain of agric production, and formulate a national e-agriculture policy to enhance productivity.

Ministry of Lands and Natural Resources

GoG intends to undertake the following key initiatives:

- Intensify the Rapid Response Unit work with the objective of reducing illegal mining to preserve the mining industry and forest reserves;
- Engage the private sector to plant 5,928ha in a reforestation PPP project;
- Improve ecotourism facilities in the different parks, forest reserve and conservation area; and
- Initiate Land Administration and Management Programme to increase the turn around time of land title registration to 31 working days.

The Ministry of Lands and Natural Resources has been allocated a budget of GH¢348 million in 2017, a 18.36% rise from last year's budget of GH¢294 million.

Ministry of Trade and Industry

Key GoG initiatives in 2017 include:

- Operationalise the Ghana International Trade Commission ("GITC") to protect local industries from unfair international trade practices;
- Establish the National Quality Accreditation Service
- Facilitate the development of an irrigation project and sugarcane plantation;
- Initiate the "One District One Factory" initiative to ensure an even spatial spread of industries;
- Establish the National Industrial Revitalisation Programme ("NIRP") with a stimulus package for industry to provide technical and financial support to existing companies that are currently distressed; and
- Set up the NEIP to support start-ups and small businesses in the country.

Budget allocation for MoTI increased from GH¢259 million in 2016 to GH¢269 million in 2017 representing a 3.8% increment.

To achieve the objective of a business friendly environment which will create the base for growing business and creating jobs, Government should ensure that the Land Administration and Management Programme (i.e ease of acquiring land and registering) is fully completed. Given that the operation of illegal mining activities have an adverse effect on our water bodies and operations of Mining companies in Ghana, Government should intensify and prioritise the Rapid Response Unit work.

The manufacturing subsector has been on a decline over the last couple of years due to factors such as high cost of capital; limited access to medium to long term financing; high cost of electricity and unreliable power supply; limited access to land for industrial activity as well as weak logistic and infrastructure support for industrial development. This uncompetitive business environment has therefore led to many businesses struggling to survive. Government's decision to introduce a stimulus package for industry under the NIRP is therefore welcoming.

Government should guard against political patronage and select firms that not only have the potential to grow, but also have backward and forward linkages with other sectors or firms in the country.

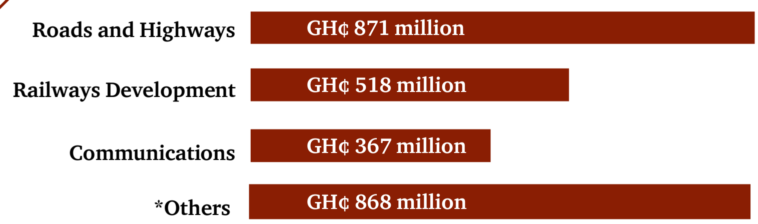
Currently, NBSSI and Exim Bank have schemes and initiatives which provide support to businesses and whose experiences may serve as a useful guide in the implementation of the "One District, One Factory initiative. For these flagship programmes to be successful, it is imperative that GoG implements sound systems and controls to ensure Value for Money and to plug potential leakages which may threaten.

Sectoral Outlook

INFRASTRUCTURE SECTOR—KEY MINISTRIES

Budget Allocation

GH¢2,624 million



*** Others include: Ministry of Water Resources & Sanitation (GH¢255 million), Ministry of Works and Housing (GH¢109 million), Ministry of Transport (GH¢444 million)**

Ministry of Roads and Highways

GoG intends to implement the following key programmes in 2017:

- Road Rehabilitation and Maintenance Programme on trunk, feeder and urban road networks:
  - In 2017, a total of 45,050km of routine maintenance will be completed as compared to a total of 36,290km undertaken in 2016, representing a 24% increase
  - On the other hand, Government intends to undertake less periodic maintenance of the road networks in 2017; 510km of roads compared to the 1,735km undertaken in 2016
- Road and Bridge Construction Programmes on trunk, urban roads and bridges: a total of 220km to be constructed in 2017 as opposed to the 208km constructed in 2016 representing a 6% increase.

GoG has allocated a total of GH¢871million as opposed to the GH¢902million allocated in 2016 representing a reduction of 3.42%.

Ministry of Railways Development

GoG's key initiatives in 2017 include:

- Construct the Western line (340km) to facilitate the haulage of manganese, bauxite, cocoa & other bulk commodities;
- Construct the Tema-Akosombo, 85km rail line to link Tema port to Buipe port and neighbouring countries via Akosombo;
- Extend the Sekondi-Takoradi line from Kojokrom to Tarkwa via Nsuta ; and
- Source funding for the development of the Central Spine, 700km.

The Department responsible for Railway had hitherto been part of the Ministry of Transport.

GoG's plan to construct additional 220kms of roads and bridges this year will help enhance road transportation and facilitate the movement of goods and people across all parts of the country.

Government's plan to undertake more routine maintenance this year compared to last year is laudable considering the poor nature of the road network across the country.

However, the following issues are worth considering to ensure efficiency and quality of works: Value for Money Audits on contracted road projects should be conducted to ensure contractors are delivering quality work; paying contractors their outstanding arrears to reduce the banking sector non-performing loans; and asphalting roads as opposed to gravelling and patch work.

The decision to create a separate Ministry for Railways shows GoG's commitment to developing the rail network.

The construction and development of an interconnected rail system will facilitate trade across the regions as businesses will be able to operate on a more efficient supply chain process. It will also ease the congestion on roads and improve productivity.

Ministry of Communications

GoG's key initiatives in 2017 include:

- National Identification Management Programme:
  - » Implement the National Identification System ("NIS");
  - » ICT Infrastructure Development Programme;
  - » Implement the Public Key Infrastructure and open Data Initiative to improve internet connectivity for MDAs and MMDAs;
  - » Implement e-Government, e-Parliament & e-immigration infrastructure Platform Projects;
  - » Commercialise the National Information Technology Agency's ("NITAs") infrastructure; and
  - » Complete the 3rd phase of the Digital terrestrial TV project.
- Meteorological Services Programme:
  - » Implement the Quality Management System ("QMS"), ISO 9000 at Kotoka International Airpot & Tamale Airpot to attract more airlines and make Ghana a regional air navigation hub.

GoG has allocated a total of GH¢367 million to the Ministry of Communications this year, representing a 25% increase over the 2016 allocation of GH¢293 million. This is mainly due to the implementation of the National Identification System which makes up approximately one-third of the total Ministry's budget.

Government's 25% increase in expenditure allocation to this Ministry will not only create jobs, but also increase efficiency and reduce transaction cost in public service delivery as well as ensuring broader access to information.

The NIS when implemented will serve as a unique identifier for each Ghanaian, thereby broadening the tax payers base, as well as ensuring tax compliance and access to services such as financial and healthcare.

Others

The other Ministries consist of Ministry of Aviation, Transport, Water Resources and Sanitation and Works and Housing, with the key Ministry being Water Resources and Sanitation.

GoG's key initiatives under the Water Resources and Sanitation Ministry in 2017 include:

- Establish the National Sanitation Fund;
- Provide uniforms to 4,500 Environmental Health Officers nationwide;
- Reactivate the Sanitation Courts concept; and
- Construct 15,000 household toilets in low income communities in Greater Accra Metropolitan Area ("GAMA") and 5,000 household toilets under the National Accelerated Toilet Access Programme for rural communities in the North.

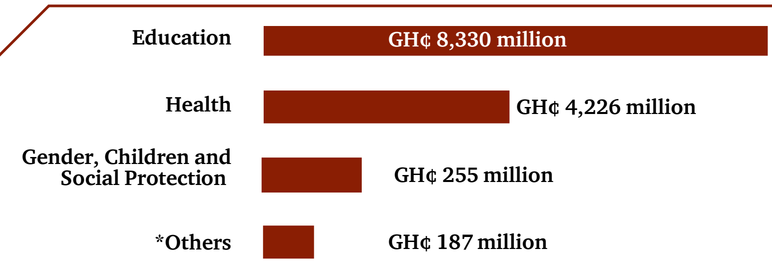
The Water Resources and Sanitation Ministry had hitherto fallen between two ministries i.e (1) Water Resources, Works and Housing and (2) Local Government and Rural Development. This year, GoG has separated this Ministry and allocated GH¢255million to it. The rest of the other Ministries have been allocated GH¢612million to fund their initiatives.

Sectoral Outlook

SOCIAL SECTOR—KEY MINISTRIES

Budget Allocation

GH¢12,998 million



*** Others include: Ministry of Employment & Labour Relations (GH¢61 million), Ministry of Youth & Sports (GH¢47 million), National Commission for Civic Education (GH¢43 million), Ministry of Chieftaincy & Religious Affair (GH¢34 million), National Labour Commission (GH¢3 million)**

Ministry of Education

Key Government initiatives under this Ministry include:

- Re-institute the Teacher Trainee Allowances scheme, effective September 2017;
- Implement free secondary education in September when the 2017/18 academic year starts; implying the absorption of all approved fees currently charged to students in public SHS; and
- Facilitate sector development through policy direction, aligning Technical Vocational and Agricultural Education and Training ("TVAET") skills development to industry.

The 2017 Education Sector budget allocation of GH¢8,330million has increased by 10% over the 2016 amount of GH¢7,554 million. Out of the amount of GH¢8,330 million, Government's contribution to funding of the Education Sector budget has increased by 51% from GH¢4,863million in 2016 to GH¢7,358 million in 2017. 5% of this increase representing GH¢ 400 million has been allocated to the implementation of Free SHS.

A free and an all inclusive educational system is a major driver of the Government's "Change" agenda and indeed is a catalyst for growth and development in the current global setting. Free SHS therefore, is a laudable initiative as it is in line with the SDGs of ensuring universal quality education for all. However, sustainable financing could be an issue, particularly where the source is from oil revenue (ABFA), which is highly volatile. Government should therefore ensure that there is a sustainable source of financing the Free SHS initiative in the medium to long term.

Ministry of Health

Key initiatives include the following:

- Improve healthcare infrastructure;
- Implement the Community Health Planning and Services ("CHPS") strategy;
- Invest in medical schools and training institutions to ensure a reduction in the doctor to population (currently 1:8,865), midwife to population and nurse to population (currently 1: 725) ratios;
- Strengthen the NHIS to ensure it is fit for purpose from a current coverage of 41% as at June 2016; and
- Re-institute the Nurses Trainee Allowances to provide some relief to students in the training institutions.

The 2017 budget allocation for the Health ministry decreased by 13% over the 2016 amount from GH¢4,884million to GH¢4,226million in 2017.

Improving access to basic healthcare is critical to maintaining a healthy Ghanaian population to support Government's agenda for growth and creating jobs. Given that over 17% of the funding for this sector is from Development Partners, dwindling donor funding in recent times could delay disbursement of funds and create a bottleneck to the successful implementation of the Health Sector initiatives.

Ministry of Health (Cont'd)

Out of the GH¢4,226 million, GoG contribution to funding of the Health sector was GH¢1,647 million in 2016 and is expected to be GH¢2,531 million in 2017 an increase of 54%. 3% of the budget amount allocated i.e GH¢149 million will be used to fund the re-institution of the Nurses Training Allowance.

Ministry of Gender, Children and Social Protection

Some key initiatives highlighted in this Ministry's 2017 Budget include:

- Educate on the Disability Act, Rights of Persons with Disability; Affirmative Action and Domestic Workers Bills and Gender inclusion;
- Develop legislation and policy, including Justice for Children, Child and Family Welfare; child related policies and standards; operationalising the National Council on Ageing, and a comprehensive Monitoring and Evaluation ("M&E") framework to effectively monitor the Livelihood Empowerment Against Poverty ("LEAP"); and implement the Elderly Welfare programme; and
- Promote advocacy through collecting data for the Ghana National Household Registry for Upper East and Northern Regions; implement recommendations from the report of the research on prevalence of Domestic under the Domestic Violence ("DV") LI, as well as the National End Child Marriage Campaign Action Plan 2017.

The budgetary allocation for this Ministry increased by 416% from GH¢49.52 million in 2016 to GH¢255million, in 2017.

Others

The other Ministries include Employment and Labour Relations, Youth and Sports, National Labour Commission, National Commission for Civic Education and Chieftaincy and Religious Affairs.

Key Government initiatives which will be implemented under these other sub social sectors include:

- Develop a National Labour Migration policy;
- Set-up a Youth Development authority to coordinate youth activities;
- Expand sport infrastructure;
- Sensitise chiefs on their roles in land acquisition; and
- Undertake activities on post-elections/peaceful co-existence.

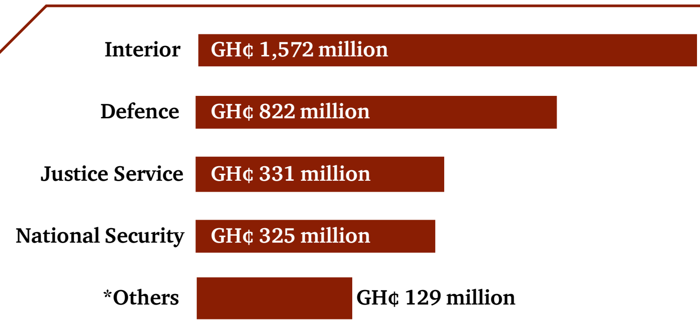
Given the rising income and social inequalities in recent times and the potential negative effect of fiscal consolidation policies on the vulnerable in our society, further scaling up of the various social protection policies particularly the LEAP will not only cushion the poor, but also foster equity and ensure inclusive growth and sustainable development.

Sectoral Outlook

PUBLIC SAFETY —KEY MINISTRIES

Budget Allocation

GH¢3,179 million



*** Others include: CHRAJ (GH¢38 million), Ministry of Justice & AG's Department (GH¢91 million)**

Ministry of Interior

Key initiatives for this Ministry include:

- Implement the Home Fire Safety Project ("Dume Egya") with a private sector partner to install fire and smoke alarm systems and fire extinguishers in individual homes. Also, install early fire warning systems at various MDAs;
- Operationalise an early warning and response mechanism on conflicts and disasters;
- Procure and deploy border surveillance systems and revamp the Border Patrol Unit under the Border Management Strategy; and
- Purchase and install Central Electronic Monitoring Systems ("CEMS") and intensify monitoring of gaming operations to increase mobilisation of non-tax revenue.

In the Public Safety sector, this Ministry has the highest employee compensation to ministry budget ratio at 92%. Whilst the Ministry's allocation grew by 15%, its share of the Public Safety budget dropped from 56% to 49%.

Ministry of Defence

Key initiatives for this ministry include:

- Refurnish and renovate all military barracks across the country under the "Barracks Renegotiation Project", which is expected to ease the accommodation problem for staff;
- Recruit and train 1,200 men and women and prepare 1,000 troops for internal security operations; and
- Procure personnel gear, ammunition, navigational aids, aircraft spares and complete two operation rooms to monitor and co-ordinate maritime surveillance activities.

The Ministry's quota increased by 8% from GH¢760 million in 2016 to GH¢ 822 million in 2017. Employees' compensation increased from 79% of the total budget allocation of the ministry in 2016 to 85% in 2017 as the military is expected to take on additional recruits.

Government's initiatives are focused around the protection of property and people to ensure a peaceful and secured environment for all; however the country is still bedevilled with seasonal flooding, fires and conflicts. The Ministry's allocation has increased by 14.7% as compared to the previous year. This is refreshing, however we urge that such increment should translate into actionable projects that will forestall or mitigate the impact of such occurrences on the citizenry.

It is heart-warming to note that in line with improving the security personnel to population ratio in accordance with the UN target, the ministry is embarking on an extensive recruitment drive as one of its key initiatives.

The refurbishment of all barracks across all the country, will not only boost economic activities, in particular for the construction subsector, but will also boost the morale of the security personnel that will ensure quality service delivery.

Ministry of National Security

Key initiatives for this ministry include:

- Improve human resource and embark on capacity building programmes within the intelligence agencies;
- Engage in maintenance work on cell sites across the country, and enhance the communication network stations in Takoradi, Kumasi, Wa and Hohoe to improve response times; and
- Monitor activities after the 2016 general elections and promote stability, security and peace in the country and the sub-region.

Others:

The other MDAs under the Public Safety Sector include Justice and Attorney General's Department, Judicial Service and Commission on Human Rights and Administrative Justice ("CHRAJ").

Some key initiatives include:

- Establish the Office of the Special Prosecutor;
- Pass the Right to Information Bill;
- Amend the Criminal Offences Act, 1960 to change the classification of corruption from a misdemeanour to a felony crime, and
- The Commission on Human Rights and Administrative Justice to continue co-ordinating and monitoring the implementation of the National Anti-Corruption Action Plan ("NACAP").

Indications from the budget seem to suggest heavy investment in the human capital aspect of intelligence gathering as employee compensation accounts for 71% of its total allocation. The focus on intelligence for the new Government is laudable, as high sophisticated crimes such as cyber and economic crimes as well as potential terrorist attacks are on the increase.

Intelligence building and other preventive security measures, will play a critical role in generating confidence in the stability of the economy to investors.

Appendix 1: Summary of Central Government Revenue 2016 - 2017

Government Revenue Millions of Ghana Cedis	2016 (A) Budget	2016 Revised Budget (B)	2016 Prov Outturn (C)	2017 Budget (D)	Variance (F=D-A)	Variance (G=C-A)
TAX REVENUE	**28,868.45**	**29,129.04**	**25,728.66**	**34,382.05**	**5,513.60**	**-3,400.38**
TAXES ON INCOME & PROPERTY	**12,071.99**	**11,358.93**	**9,106.90**	**13,446.58**	**1,374.58**	**-2,252.03**
Personal	4,229.35	4,136.41	3,465.56	4,557.59	328.24	-670.86
Self Employed	344.82	346.16	236.84	351.28	6.46	-109.32
Companies	5,501.19	5,201.18	4,052.25	6,460.46	959.27	-1,148.93
Company Taxes on Oil	111.49	42.02	42.02	-	-111.49	0.00
Others	1,885.15	1,633.16	1,310.24	2,077.25	192.10	-322.92
Other Direct Taxes	1,397.90	1,167.91	902.25	1,542.77	144.87	-265.66
o/w Royalties from Oil	446.87	306.28	175.54	616.76	169.88	-130.74
o/w Mineral Royalties	709.48	649.48	578.35	626.45	-83.03	-71.13
National Fiscal Stabilisation Levy	213.01	191.01	139.15	217.20	4.19	-51.86
Airport Tax	274.24	274.24	268.84	317.28	43.04	-5.40
TAXES ON DOMESTIC GOODS AND SERVICES	**11,323.88**	**12,116.54**	**12,231.32**	**13,863.08**	**2,539.20**	**114.78**
Excises	**2,893.54**	**3,333.63**	**3,643.33**	**3,263.89**	**370.35**	**309.70**
Excise Duty	250.33	290.86	297.25	385.89	135.56	6.39
Petroleum Tax	2,643.21	3,042.77	3,346.08	2,878.00	234.79	303.31
o/w Energy Fund levy	-	30.86	24.74	31.41	31.41	-6.12
o/w Road Fund levy	-	1,061.82	1,001.96	1,331.42	1,331.42	-59.86
VAT	**6,971.54**	**7,347.65**	**7,129.73**	**8,833.15**	**1,861.61**	**-217.92**
Domestic	2,959.87	3,185.93	3,021.94	3,785.29	825.42	-163.99
External	4,011.67	4,161.72	4,107.80	5,047.86	1,036.19	-53.92
National Health Insurance Levy (NHIL)	**1,145.25**	**1,124.88**	**1,119.47**	**1,438.12**	**292.87**	**-5.41**
Customs Collection	613.20	580.24	613.00	791.67	178.47	32.76
Domestic Collection	532.05	544.64	506.47	646.45	114.40	-38.17
Communication Service Tax	**313.55**	**310.38**	**338.79**	**327.92**	**14.37**	**28.41**
TAXES ON INTERNATIONAL TRADE	**5,472.58**	**5,653.57**	**4,390.44**	**7,072.40**	**1,599.81**	**-1,263.13**
Imports	**4,752.58**	**4,899.57**	**4,121.92**	**6,741.30**	**1,988.72**	**-777.66**
Import Duty	4,752.58	4,899.57	4,121.92	6,741.30	1,988.72	-777.66
Exports	**720.00**	**754.00**	**268.53**	**331.10**	**-388.90**	**-485.47**

Government Revenue Millions of Ghana Cedis	2016 (A) Budget	2016 Revised Budget (B)	2016 Prov Outturn (C)	2017 Budget (D)	Variance (F=D-A)	Variance (G=C-A)
o/w Cocoa	720.00	754.00	268.53	331.10	-388.90	-485.47
SOCIAL CONTRIBUTIONS	**352.03**	**352.83**	**280.35**	**296.33**	**-55.69**	**-72.47**
SSNIT Contribution to NHIL	352.03	352.83	280.35	296.33	-55.69	-72.47
NON-TAX REVENUE	**7,209.71**	**6,818.22**	**4,882.44**	**6,670.04**	**-539.67**	**-1,935.77**
Retention	3,532.37	3,532.37	3,367.80	3,361.62	-170.75	-164.58
Lodgement	3,677.34	3,285.84	1,514.65	3,308.41	-368.92	-1,771.20
Fees & Charges	606.33	612.33	465.59	723.37	117.04	-146.74
Dividend/Interest & Profits from Oil	1,172.11	1,048.44	490.51	1,734.58	562.47	-557.93
Surface Rentals from Oil/ PHF Interest	4.21	4.10	2.90	6.84	2.64	-1.20
Gas Receipts	273.72	-	0.10	-	-273.72	0.10
Dividend/Interest & Profits (Others)	950.97	950.97	555.55	343.62	-607	-395.42
Receipts from on-lent Facilities	50.00	50.00	-	-	-50	-50.00
Licences	620.00	620.00	-	-	-620	-620.00
Sale of Shares	-	-	-	500.00	500	0.00
OTHER REVENUE	**-**	**-**	**1,645.98**	**2,081.69**	**2,082**	**1,645.98**
ESLA Proceeds	-	-	1,645.98	2,081.69	2,082	1,645.98
Energy Debt Recovery Levy	-	-	1,319.72	1,666.35	1,666	1,319.72
o/w Public Lighting Levy	-	-	22.86	123.01	123	22.86
o/w National Electrification Scheme Levy	-	-	32.73	185.28	185	32.73
Price Stabilisation & Recovery Levy	-	-	326.26	415.34	415	326.26
DOMESTIC REVENUE	**36,430.19**	**36,300.09**	**32,537.45**	**43,430.12**	**7,000**	**-3,762.64**
GRANTS	**1,607.87**	**1,589.26**	**1,140.73**	**1,531.52**	**-76**	**-448.53**
Project Grants	1,474.67	1,463.15	1,034.34	1,515.19	41	-428.81
Programme Grants	133.20	126.11	106.39	16.33	-117	-19.72
TOTAL REVENUE & GRANTS	**38,038.05**	**37,889.35**	**33,678.17**	**44,961.64**	**6,924**	**-4,211.17**

Appendix 1: Summary of Central Government Expenditure 2016-2017

Government Expenditure Millions of Ghana cedis	2016 Budget (A)	2016 Revised Budget (B)	2016 Prov. Outturn (C)	2017 Budget (D)	Variance (F=D-A)	Variance (G=C-B)
II EXPENDITURE						
Compensation of Employees	**14,023.99**	**13,730.92**	**14,164.79**	**16,005.52**	**1,981.52**	**433.87**
Wages & Salaries	11,722.81	11,722.81	12,109.85	14,047.43	2,324.62	387.04
Social Contributions	2,301.19	2,008.12	2,054.94	1,958.09	-343.10	46.82
Pensions	788.94	788.94	637.29	767.99	-20.96	-151.65
Gratuities	222.73	222.73	354.15	262.87	40.14	131.41
Social Security	1,289.51	996.44	1,063.50	927.23	-362.28	67.06
Use of Goods and Services	**2,536.78**	**2,126.87**	**3,220.76**	**3,518.50**	**981.72**	**1,093.89**
o/w ABFA	302.70	184.04	57.00	238.89	-63.81	-127.03
Interest Payments	**10,490.60**	**10,490.27**	**10,770.44**	**13,940.52**	**3,449.92**	**280.17**
Domestic	8,317.23	8,317.23	8,466.37	11,228.17	2,910.94	149.14
External (Due)	2,173.37	2,173.04	2,304.07	2,712.35	538.98	131.03
Subsidies	**50.00**	**50.00**	**-**	**50.00**	**0.00**	**-50.00**
Subsidies to Utility Companies	-	-	-	-	0.00	0.00
Subsidies on Petroleum products	50.00	50.00	-	50.00	0.00	-50.00
Grants to Other Government Units	**9,651.42**	**10,489.86**	**8,607.30**	**9,730.83**	**79.41**	**-1,882.55**
National Health Fund (NHF)	1,497.28	1,477.71	1,101.85	1,734.45	237.18	-375.86
Education Trust Fund	1,021.53	1,082.09	762.46	790.22	-231.30	-319.63
Road Fund	277.49	1,061.82	1,040.68	873.25	595.76	-21.14
Petroleum Related Funds	5.94	30.86	25.04	20.60	14.67	-5.82
Dist. Ass. Common Fund	2,013.91	2,048.15	1,171.17	1,575.94	-437.98	-876.99
Retention of Internally-generated funds (IGFs)	3,532.37	3,532.37	3,367.80	2,204.81	-1,327.57	-164.58
Transfer to GNPC from Oil Revenue	566.95	524.47	264.72	1,220.59	653.63	-259.75
Other Earmarked Funds	735.95	732.38	873.59	1,310.98	575.03	141.21
Social Benefits	**75.43**	**75.43**	**-**	**241.18**	**165.75**	**-75.43**
Lifeline Consumers of Electricity	75.43	75.43	-	83.47	8.04	-75.43

Government Expenditure Millions of Ghana cedis	2016 Budget (A)	2016 Revised Budget (B)	2016 Prov. Outturn (C)	2017 Budget (D)	Variance (F=D-A)	Variance (G=C-B)
Transfers for Social Protection	-	-	-	157.71	157.71	0.00
Other Expenditure	**-**	**-**	**202.90**	**2,429.92**	**2,429.92**	**202.90**
ESLA Transfers	-	-	202.90	2,081.69	2,081.69	202.90
Reallocation to Priority Programmes	-	-	-	348.23	348.23	0.00
VAT Refunds	**627.44**	**627.44**	**1,445.17**	**1,350.61**	**723.17**	**817.73**
Capital Expenditure	**6,676.88**	**6,393.05**	**7,678.10**	**7,127.71**	**450.83**	**1,285.05**
Domestic financed	**1,783.21**	**1,605.54**	**2,048.53**	**2,779.69**	**996.48**	**442.99**
o/w GIIF	1,198.10	1,189.44	-	-	-1,198.10	-1,189.44
o/w ABFA	529.73	322.07	-	557.42	27.69	-322.07
Foreign financed	**4,893.66**	**4,787.51**	**5,629.57**	**4,348.02**	**-545.65**	**842.05**
Other Outstanding Expenditure Claims	**-**	**-**	**5,035.59**	**-**	**0.00**	**5,035.59**
Compensation of Employees	-	-	61.33	-	0.00	61.33
Goods and Services	-	-	2,171.58	-	0.00	2,171.58
Capital Expenditure	-	-	2,059.37	-	0.00	2,059.37
Grants to Other Government Units	-	-	743.30	-	0.00	743.30
TOTAL EXPENDITURE	**44,132.54**	**43,983.84**	**51,125.04**	**54,394.79**	**10,262.25**	**7,141.21**
APPROPRIATION	**50,737.29**	**52,625.49**	**59,494.23**	**65,467.40**	**14,730.11**	**6,868.74**
Total Expenditure	**44,132.54**	**43,983.84**	**51,125.04**	**54,394.79**	**10,262.25**	**7,141.21**
Arrears (net change)	**2,313.17**	**2,313.17**	**2,320.28**	**3,742.56**	**1,429.39**	**7.11**
Tax Refunds	**627.44**	**627.44**	**1,445.17**	**1,350.61**	**723.17**	**817.73**
Amortisation	**3,664.14**	**5,701.05**	**4,603.74**	**5,979.44**	**2,315.30**	**-1,097.31**

Glossary

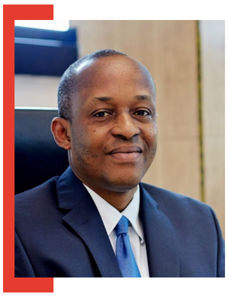
Abbreviation	Meaning
ABFA	Annual Budget Funding Amount
AMSECs	Agriculture Mechanisation Service Enterprise Centres
BoG	Bank of Ghana
CEMS	Central Electronic Monitoring Systems
CET	Common External Tariff
C - G	Commissioner - General
CHPS	Community Health Planning and Services
CHRAJ	Commission On Human Rights and Administrative Justice
COCOBOD	Ghana Cocoa Board
CWE	China International Water & Electric Corporation
DSA	Debt Sustainability Analysis
DV	Domestic Violence
ECF	Extended Credit Facility
ECG	Electricity Company of Ghana
ECOWAS	Economic Community of West African States
EMDEs	Emerging Markets and Developing Economies
ESLA	Energy Sector Levy Act
FC	Fiscal Council
FPSO	Floating Production Storage and Offloading
FSC	Financial Stability Council
FSR	Financial Stability Report
GDP	Gross Domestic Product
GES	Ghana Education Service
GIPC	Ghana Investment Promotion Centre
GIS	Geographic Information System
GITC	Ghana International Trade Commission
GoG	Government of Ghana
GRA	Ghana Revenue Authority
GSE	Ghana Stock Exchange
GSGDA II	Ghana Shared Growth and Development Agenda II
IMF	International Monetary Fund

Abbreviation	Meaning
IMF ECF	IMF's three-year Extended Credit Facility
IPEP	Infrastructure for Poverty Eradication Programme
LEAP	Livelihood Empowerment Against Poverty
M&E	Monitoring and Evaluation
MDAs	Ministries, Departments and Agencies
MiDA	Millennium Development Authority
MLGRD	Ministry of Local Government and Rural Development
MMDAs	Metropolitan, Municipal and District Assemblies
MMDCE	Metropolitan, Municipal and District Chief Executives
MMscf	One million cubic feet
MoBD	Ministry of Business Development
MoE	Ministry of Education
MoF	Ministry of Finance
MoTI	Ministry of Trade and Industry
MPR	Monetary Policy Rate
MT	Metric Tonnes
MTDS	Medium-Term Debt Strategy
MW	Megawatts
NACAP	National Anti-Corruption Action Plan
National ID	National Identification
NBSSI	National Board for Small Scale Industries
NDA	Net Domestic Assets
NDPC	National Development Planning Commission
NEIP	National Entrepreneurship and Innovation Plan
NFA	Net Foreign Assets
NFIS	National Financial Inclusion Strategy
NHIL	National Health Insurance Levy
NHIS	National Health Insurance Scheme
NIRP	National Industrial Revitalisation Programme
NIS	National Identification System
NITA	National Information Technology Agency

Glossary

Abbreviation	Meaning
NPLs	Non-Performing Loans
OECD	Organisation for Economic Co-operation and Development
OPEC	Organisation of Petroleum Exporting Countries
PAC	Passport Application Centres
PAYE	Pay As You Earn
PFMA	Public Financial Management Act
PoS	Point of Sale
PPA	Public Procurement Act
PPP	Public Private Partnerships
PRMA	Petroleum Revenue Management Act
QMS	Quality Management System
REDD+	Reducing Emissions from Deforestation and Forest Degradation
SDGs	Sustainable Development Goals
SEC	Securities and Exchange Commission
SELA	Special Import Levy Act
SGN	Sankofa - Gye Nyame
SHS	Senior High School
SSNIT	Social Security and National Insurance Trust
TEN	Tweneboa, Enyera, Ntomme
TIN	Taxpayer Identification Number
TMU	Treasury Management Unit
TP	Transfer Pricing
TSA	Treasury Single Account
TVAET	Technical Vocational and Agricultural Education and Training
USA	United States of America
VAT	Value Added Tax
VCTF	Venture Capital Trust Fund
WEO	World Economic Outlook
y-o-y	Year-On-Year

Our Leadership Team



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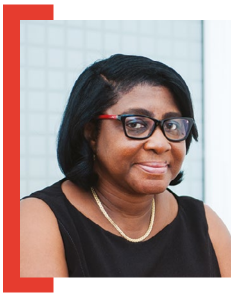

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