

2011 Budget Highlights



Commentary

“Stimulating Growth for Development and Job Creation”

The 2011 Budget Statement and Economic Policy was delivered to Parliament on Thursday, 18 November 2010 by Dr Kwabena Duffuor, Minister of Finance and Economic Planning

We outline in this publication some of the principal matters in the Budget Statement

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We will point out that in prior years, changes have often been made to the proposals in the Budget Statement before the relevant bills have been published and enacted

The 2011 Budget Statement was one of the most anticipated in the recent history of this country, not only because of the general public's expectation of the oil revenue and the perceived unlimited benefits thereof, but also the impact of Ghana's recent reclassification to middle income status. We are pleased that in the Budget Statement, the Minister has indicated clearly the need to manage the expectations of the general public with regards to the contribution of oil revenue to the national budget, especially, in the first year of full production.

Government has spent another year stabilising the macroeconomic environment. This is evidenced by the fall in interest rates, the stabilisation of the Ghana Cedi, an increase in gross foreign reserves and a single digit inflation figure of 9.38% as at the end of October 2010. These gains appear to have been accomplished at the expense of real Gross Domestic Product (GDP) growth, which is projected at 5.9% for 2010. This is below the target of 6.5% and still much lower than the 2008 actual of 7.27%.

While the proposed initiatives in the Budget Statement are aimed at stimulating growth, the 2011 GDP growth rate target of 12.3% (including oil) seems ambitious. Considering that activities in the oil and gas sector will only just be starting in 2011 and will reach its peak in subsequent years, expecting 5% GDP growth from that sector alone seems rather high. In addition, the clarifying/enabling legislation affecting the exploration and production, revenue management and local content is yet to be enacted

to allow for a consistent and predictable framework for industry participants.

The GDP growth rate target of 12.3% for 2011 is expected to be achieved on the back of three main sectors: manufacturing; services; and oil and gas. It is interesting to note that with the rebasing of the GDP calculations, the agricultural sector has lost the lead position as the most significant contributor to GDP and is now replaced by the services sector. It is reassuring to note that there are still significant initiatives to develop the agricultural sector, where we believe there is great potential for growth. Encouraging private participation in agro-processing as well as significant implementation of the Budget Statement proposals for mechanised farming will impact positively on the sector.

The manufacturing sector continues to face challenges. Local manufacturers still suffer from high cost of inputs that make their products uncompetitive against cheaper imports. Unreliable supply of power and water, and the recent increases in utility prices had adverse effects on their operations. The impact on their cost base and therefore their profitability resulted in some companies implementing drastic cost reduction measures which included cutting back on production and/or laying off staff. The long-term effects of such adverse changes in the business environment could be loss of tax revenue, growing unemployment and Ghana becoming uncompetitive as a business location.

Government's projections for 2011 assume that the services sector's recent growth rate will be sustained.

It was expected that there would be some policy initiatives to further boost the services sector or at least help sustain the growth attained so far. Although the Budget Statement does not contain any such specific initiatives, hopefully, the passing of the Petroleum Bill and other related legislation and the inclusion of local content in the operations of the oil and gas sector will provide the basis for sustained growth in the services sector.

Tax and other revenue mobilisation continue to be a challenge. The Budget Statement therefore seems to be dominated by tax initiatives both at the corporate and personal levels. It is good to note that efforts to plug the revenue leakages will be complemented by continuing efforts at broadening the tax base. Reforms in the administration of taxes that began in 2010 are expected to continue through 2011. Significant is the initiative to consolidate the process of granting of exemptions and concessions under the Ghana Revenue Authority (GRA). We hope however that this will not create a bottle-neck in the processing of applications, which risks impeding the efficient conduct of business.

The Single Spine Salary Structure (SSSS) for the public sector is a laudable initiative. It should enable Government attract the right calibre of staff by reducing the disparity between public sector and private sector salary levels. However, one key issue that is yet to be adequately addressed within the public service is productivity. Considering that the wage bill required to implement the scheme requires the mobilisation of additional funds through the various proposed tax initiatives, the Government must ensure that it gets value for money. It is imperative that among others as proposed, payroll audits are intensified to eliminate 'ghost' names on the payroll and performance management-related reforms take place to ensure

remuneration is tied to productivity. We are pleased that these have been identified as key initiatives for 2011.

The potential for job creation is hugely dependent on the speedy implementation of Government's policies that provide an enabling environment for growth of the private sector. It will therefore be in the interest of all for the private sector to undergo significant accelerated growth to be able to provide additional employment opportunities. Government therefore has to provide the platform for continuous dialogue and speedy resolution of concerns raised by the private sector as the country's industrial base grows.

The continuation of initiatives on PPP is very welcome. We expect that the framework policy document that has been submitted to cabinet will provide clear directions on how the private sector can expect to collaborate with Government to undertake major projects, in particular the large infrastructure projects in the energy, transportation and communications sectors that will facilitate further economic growth. It will also be good if Government can expedite action on the improvement of those processes that impact on the setting up, licensing, registration – businesses and property (especially land), payment and refund of taxes and access to credit, all of which are issues of interest to the private sector as it seeks to become more competitive and contribute more effectively to economic development.

Corporate Ghana is particularly pleased to see the adoption of some of their recommendations including:

- Consideration of the prompt issuance of VAT refunds;
- Review of the mining list;
- Consultation prior to the passing of new tax legislation (this could still be improved);
- Increase in the withholding tax threshold; and

- Review of personal tax reliefs.

However, the Budget Statement is silent on a number of other proposals that Corporate Ghana hoped to see addressed. These include:

- Standardisation of practices across various GRA offices, now that the GRA is in operation;
- Computerisation of Tax Credit Certificate issuance process to reduce the administrative burdens by issuance of reference numbers thus eliminating the need for physical certificates;
- Consolidation of the tax laws into one Revenue Act;
- Clarity on the specific timeframe for raising of assessments, after submission of tax returns;
- Increase in motor vehicle restriction for capital allowances to GH¢50,000; and
- Timely response on contentious matters upon application/request to the GRA.

Overall, we believe that the 2011 Budget Statement is cautiously optimistic in its outlook. After a two-year period of stabilisation that has largely achieved the desired macroeconomic results, many in the corporate sector are looking forward to bolder growth initiatives. Even as it continues to maintain prudent economic management, we encourage Government to fully implement those bold initiatives, particularly in the area of infrastructure development, enhancing the private sector and public financial management that will drive our economy further forward.



Overall Summary

2011 Budget: Development and job creation

The Economy

This is the third Budget statement of the National Democratic Congress (NDC) Government in pursuit of its “A Better Ghana” agenda. The 2010 Budget was targeted at growth and economic stability.

2010 performance

	Target 2010	Actual projected to end of 2010
Real GDP	6.5%	5.9%
12 month CPI inflation (average)	10.5%	8.8%
End of period inflation	9.2%	9.2%
Gross international reserves	More than 2.5 months import cover	More than 3 months import cover
Overall budget deficit	7.5% of GDP	9.7% of GDP

Sectoral outturns for 2010

	Target 2010	Outturn	% of GDP
Agriculture	4.8	6.0	32.4
Services	6.1	6.9	32.8
Industry	7.0	6.6	25.7

In the 2011 Budget, Government therefore intends to set the country's economy on the path to accelerated growth, hence the theme: “Stimulating growth for development and job creation”

The implementation framework for the envisioned accelerated growth is the medium term development framework, named the “Ghana Shared Growth and Development Agenda” (GSGDA) framework 2010 – 2013. Government intends to modernise the revenue agencies, properly utilise revenue from oil and gas, ensure expeditious use of aid inflows, achieve effective budget management, implement the Ghana Integrated Financial Management Information System (GIFMIS) as well as develop internal debt market for financing public investment projects.

Through these interventions Government hopes to achieve the fiscal policy objectives of:

- Improved financial resource mobilisation;
- Improved public expenditure management;
- Reinforce expenditure control systems;
- Efficient service delivery; and
- Managing external shocks to the economy.

2011 fiscal year objectives

The 2011 Budget aims to enhance the gains made in restoring fiscal and macroeconomic stability achieved in 2010.

The fiscal objectives for the 2011 Budget are:

- Real GDP growth (excluding oil) 7%;
- Real GDP growth (including oil) 12.3%;
- Average inflation of 8.8%;
- End of period inflation of 8.5%;
- Gross international reserves of not less than 3 months cover for goods and services; and
- Overall budget deficit of 7.5% GDP.

Government considers fair and equitable income distribution as a key component of its accelerated growth agenda. Government intends to take steps to enhance its revenue generation activities and effectively manage the oil and gas revenue.

Key steps identified in this respect include:

- passing the Petroleum Exploration and Production Bill;
- passing the Petroleum Revenue Management Bill; and
- Establishment of the Petroleum Commission.

The expected oil and gas revenue and related inflows and the recent rebasing of the national economy which placed Ghana in the middle income bracket has given Government a lot of confidence in achieving the Better Ghana agenda.

Direct Taxation and VAT

There are a number of new tax initiatives in the 2011 Budget which are aimed at raising additional revenue and widening the tax net.

These include strengthening the administrative framework for taxing self-employed professionals and the income from commercial activities of hitherto exempt organisations. There are also initiatives to streamline the process of granting exemptions and concessions by incorporating it within the broader administrative ambit of the GRA. The five year tax exemption granted to the real estate industry has also been waived except for companies that partner Government in providing affordable housing. For the second year in a row, Government has adjusted the personal income tax thresholds and in addition increased the quantum of personal reliefs.

The threshold for VAT registration has been increased to GH¢90,000. This is applicable to all suppliers subject to VAT. A new scheme will be introduced for companies falling below the threshold. The deferred payment scheme for VAT has been abolished and, effort will be made to ensure timely refunds of VAT.

It is proposed that the Communication Service Tax (CST) should apply to all companies in the communication industry.

Customs and Excise

The theme of revenue maximisation runs through the proposals on customs and excise duty. Key among them are the 20% increase in environmental tax on plastic packaging materials, restriction in the use of bonded warehouses and a tariff of 35% on imported rice and poultry. There are also increases proposed on airport taxes and the Tema Oil Refinery (TOR) Debt Recovery Levy. There is however a proposed 2.5% reduction in the ad-valorem rate and exemption of taxes on energy saving lamps.

Sectoral Outlook

Government has identified the following ten sectors as crucial to achieving the objectives of the 2011 Budget.

Ministry of Food and Agriculture

Government's main objective is to increase food production and enhance food security in 2011. To achieve these objectives, interventions include an increase in food storage capacity to at least 100,000 metric tonnes, agricultural mechanisation through the establishment of Agricultural Mechanisation and Service Centres in the remaining 86 Districts. In addition, Government will encourage youth in agriculture, and undertake an inland valley rice development project.

Government plans to establish an Export Development and Agricultural Investment Fund to finance agriculture.

Ministry of Lands and Natural Resources

Government will continue with its core objective of ensuring land and sustainable natural resource management for accelerated wealth creation. The key activities for 2011 are to carry on with the computerisation of the various divisions of the Lands Commission and development of an integrated Land Information System. In addition, the National Forest Plantation Development Programme will be expanded in all districts.

Furthermore, Government will strengthen the mining sub-sector by improving support to small scale mining, the availability of information and the licensing processes to attract mining investors and reduce social conflicts in mining communities.

Ministry of Trade and Industry

A new industrial policy focusing on industrial production and distribution, technology and innovation will be enacted.

Government is to develop an Industrial Salt Estate in Keta in the Volta Region.

Ministry of Tourism

Government intends developing the tourism potential and create employment opportunities from those activities.

Ministry of Energy

Key projects to be implemented in the year 2011 include the Bui Hydroelectric Power Project, Ghana Energy Development and Access Project, and 132 MW Takoradi 3 Thermal Projects.

Government will continue its commitment to oil exploration and gas commercialisation.

Ministry of Environment, Science and Technology

Government aims to establish a technological base for accelerated growth and sustainable development. In addition, Government will encourage the use of local building materials in the construction industry. Further Government intends to and develop Ghana's first Science and Technology Park. It will also implement plastic waste pilot projects at two municipalities and promote commercial agriculture.

To strengthen the governance of the oil and gas sector and e-waste, two Legislative Instruments (L.I.'s) to the Environmental Protection Agency Act, Act 490 will be finalised in 2011. Also, the land use and planning Bill and its accompanying L.I.'s will be pursued to provide a robust legal framework.

Ministry of Water Resources, Works and Housing

Government will continue to increase the provision of safe and potable water, affordable housing, enhance sanitation and promote environmental sustainability. A comprehensive National Integrated Water Resources Management Plan will be prepared to address major problems related to water resource availability, water quality, and institutional capacity.

Government aims to enhance access to housing by constructing 200,000 affordable housing units in selected cities and towns across the country

Ministry of Transport

For the aviation sector, Government will continue to pursue its programme of making Kotoka International Airport (KIA) an aviation hub for the sub-region. The rehabilitation works and upgrading of the KIA and the Tamale Airport are ongoing.

The Lake Safety enhancement programme is to be continued with the provision of new ferries and the construction of landing stages along the banks of the Volta Lake.

As part of the implementation of the Economic Community of West African States (ECOWAS) Regional Transport and Transit Facilitation Programme, Government has acquired land at Paga for the construction of the Joint Border Project (JBP) between Ghana and Burkina Faso to enhance free movement of goods and services within the ECOWAS sub-region.

Ministry of Roads and Highways

The Ministry of Road and Highways will undertake improvement of feeder roads to support the agricultural sector and The West Africa Transport and Transit Facilitation Project to improve mobility.

Ministry of Communications

The priority areas for 2011 include the development of ICT Park at the Tema multi-purpose industrial park.

The implementation of e-applications will be on-going to facilitate the deployment of ICT to the public.

Other policy Initiatives

Other key policy initiatives include:

- Legal and regulatory framework for PPP will be finalised. Further, PPP initiatives will be undertaken to boost commercial agriculture and construct a vehicle interchange over the Accra-Tema Motorway.
- Government will undertake human resource audit in the public sector to ascertain payroll cost, establish optimal staffing levels, introduce performance based management system.
- Government will continue:
 - to address managerial and structural challenges confronting education; by providing facilities for Science, Information Communication Technology (ICT) and Technical/Vocational education as well as training and teacher motivation.
 - gender parity in access to education
 - the process of establishing two public universities at Sunyani and Ho to broaden access to tertiary education.
 - to promote the use of ICT in basic and high schools nation-wide.
- The National Labour Commission is expected to implement policies and strategies aimed at strengthening tri-partism and social dialogue, minimising industrial unrest and implementing the National Employment Policy under the Labour Act.



The Economy

“A Better Ghana” – Government reports progress against 2010’s growth and stability targets...

The Economy in 2010

Government reports significant progress in achieving the better Ghana agenda. Key indicators reported in the Budget include:

- GDP growth;
Provisional real GDP growth of 5.9%, lower than the target of 6.5% as at September 2010.
- Fiscal deficit;
A budget deficit of 9.3% of GDP at end of October 2010, higher than the overall budget deficit target of 7.5% of GDP for the year.
- Inflation;
Average inflation was 12.5% at October 2010 as against the year’s average target of 10.5%.
Period end inflation at the end of October 2010 was 9.4%, slightly higher than the year end inflation target of 9.2%.
- Gross international reserves;
Gross international reserves of about 3.2 months of import cover at the end of October 2010, compared to a target of 2.5 months for the full year.
- Stabilising the currency.
The Cedi appreciated by 0.1%, 2.2% and 5.4% against the US Dollar, the Pound Sterling and

the Euro respectively during 2010.

Fiscal Performance

In deriving the full-year expected outturns performance for the year 2010, Government used available data for the first three quarters of the year.

Total revenue and grants for 2010 are estimated at GH¢8.83 billion. Revenue and grants for the first three quarters was GH¢6,000 million (23.1% of GDP), compared to the budget GH¢5.89 billion (22.7% of budget) due to improvements in tax revenue administration for the period.

Total tax revenue was GH¢4,413.4 million, equivalent to 17% of GDP, and higher than the budget target of GH¢4,090.5 million by 7.9%.

Total expenditure to the end of September 2010 is estimated to be GH¢8.49 billion, equivalent to 32.8% of budget and 8% higher than the budget target of GH¢7.86 billion.

The projected total expenditure at the end of the year is GH¢11.34 billion, 2% lower than the GH¢11.57 billion which was initially budgeted for the full year.

The projections may be met because of delays in some non-discretionary payments.

Real GDP grew by 5.9% as at September 2010

Inflation rate at end of October 2010 was 9.4%

The good revenue performance was attributed to improved tax administration and a pick-up in economic activity

At the end of the third quarter, expenditure has exceeded the target by 8%, powered by payment of outstanding debts

Monetary Sector

Broad money, including foreign currency deposits grew by 31.6% to GH¢11,487.2 million at the end of September 2010. Government noted that robust growth in savings, and time and demand deposits accounted for a significant portion of the growth.

Government achieved a single digit inflation rate of 9.5% in June 2010. By the end of October 2010, inflation had further declined to 9.4%, from 16.0% in December 2009.

The performance to date of inflation is commendable. Sustained single-digit inflation has remained elusive in the past and it is hoped that Government will continue adopting policies and measures that will keep inflation in the single-digit domain.

The policy rate which stood at 18.0% in December 2009 was reduced to 13.5% between January and July 2010 by the Bank of Ghana (BoG) and has since remained at that level.

The central bank has so far tried to use its policy rate to signal the market on desirable interest rates, however, commercial lending rates have not moved in tandem with inflation and the policy rates. Commercial banks have argued that the environment within which they operate does not provide them with facilities and assurances that will help reduce the probability of default risk. It is expected that the operations of a credit bureaux should contribute to reduce default risk for banks, therefore leading to an easing of average lending rates.

Balance of Payment (BOP) performance

At the end of the third quarter, the Balance of Payments registered a provisional surplus of US\$101.66 million; the figure for the corresponding period in 2009 was a deficit of US\$29.5 million. Government projects a surplus of US\$315 million in the overall balance in anticipation of favourable developments in the capital account.

For the nine-month period to September 2010, a deficit of US\$2.17 billion (or 18.9% of GDP) was recorded for the balance of trade (BOT); in 2009, this deficit was smaller at US\$1.76 billion. The worsening of BOT was attributed to increased domestic demand for both oil and non-oil imports. Even though the country saw its major export commodities experiencing favourable rises in prices, which helped to shore up their export revenues, merchandise imports (both oil and non-oil) as at end of September 2010 had grown significantly by – 34.7% – over September 2009 levels.

Gross international reserves stood at US\$3.97 billion, enough to cover 3.2 months of imports of goods and services.

It is noteworthy that a BOP surplus has been achieved, even in the face of a depressed global demand. The price effect of petroleum products is mentioned as one of the factors that eroded part of the country's BOP surplus. Consequently, it is hoped that with the production of oil and gas, we may achieve an improvement in our BOP position.

Summary of Sectoral Performance

The following sectoral growth rates are projected for 2010;

Sector	2010 Outturn (%)	2010 Target (%)	% of GDP
Agriculture	4.8	6.0	32.4
Services	6.1	6.9	32.8
Industry	7.0	6.6	25.7

It is apparent that there is a structural shift in the Ghanaian economy as the Services sector now leads the contribution to the country's GDP. However the potential of the agricultural sector to achieve higher growth has not been fully harnessed. Modernisation of the agricultural sector has been a perennial budgetary. It is expected that Government will remain committed to its proposal to modernise the Agriculture sector

Over a period of 16 months, period-end inflation declined, achieving single digit by end of October 2010

Interest rates tracked inflation, albeit slowly and partially

In spite of a trade and current account deficit, overall BOP surplus provisionally stood at US\$101.66 million at the end of September 2010. This is expected to improve to US\$315 million at the end of the budget year

Gross international reserves have improved to 3.2 months import cover

The services sector displaced agricultural sector as the largest contributor to the country's GDP

For the first time, Ghana has met three out of the four primary convergence criteria

Oil and non-oil revenue and grants for the 2011 budget are estimated at GH¢10,601.10 million, equivalent to 34% of GDP

through mechanisation and embarking on large scale farming in 2011.

Macroeconomic Developments in the West African Monetary Zone (WAMZ)

The first half of 2010 saw significant improvement in macroeconomic performance in the WAMZ countries. End of year real growth is expected to average 7.2%, compared to 6.3% in 2009. For the first time, Ghana has met three out of the four primary convergence criteria with the following scores;

- Inflation rate (end period); 9.5%.
- Central bank financing of fiscal deficit as a percentage of previous year's tax; 2.9%.
- Gross external reserves, (3.2 months import cover).

Government should continue to pursue policies that will enable it to sustain this achievement and fully met all the convergence criteria by the January 2015 deadline.

The World Economy

Based on the International Monetary Fund (IMF) forecasts, global output is expected to expand by 4.8% in 2010 and 4.2% in 2011. These growths are to be led by emerging and developing economies with projected rates of 7.1% and 6.4% respectively in 2010 and 2011.

Growth projection in advanced economies is however expected to be about 2.7% and 2.2% in 2010 and 2011 respectively.

The country's development partners may cut back on aid due to the state of the world economy.

Overview of Macroeconomic framework for 2011

Government intends to achieve the following key macroeconomic targets in 2011:

- Real GDP growth (excluding oil) of 7.0 %;

- Real GDP growth rate (including oil) of 12.3%;
- Average inflation target of 8.8%;
- End of period inflation target of 8.5%;
- Fiscal balance of a deficit equivalent to 7.5%; and
- Gross external reserves equivalent to not less than three months import cover of goods and services.

Considering that oil production will have just begun, the 5.3% contribution to GDP growth from the sector would appear quite ambitious.

Resource Mobilisation

Total revenue collection (oil and non-oil revenue including grants) for the year 2011 is estimated at GH¢10,601.10 million (equivalent to 34% of GDP). Total oil revenue in 2011 is estimated at GH¢ 584 million (equivalent to 1.9% of GDP).

Total domestic revenue collection for 2011 is projected at GH¢9,299.5 million, representing 29.9% of GDP.

Total tax revenue is estimated to increase by 26.4% over the projected outturn for 2010. This would be on the backdrop of a strengthened tax administration.

There have been a number of challenges that continue to drawback the achievement of Government's fiscal goals. These include:

- low level of domestic revenue mobilisation that often result in shortfalls in expected revenue;
- increased competing expenditure demands for the limited resources;
- the tension between balancing expectations for high economic growth and reduction in fiscal deficits and inflation; and
- efficient cash management to meet Government expenditure obligations in a timely manner.

Real Sector

Based on the “Ghana Shared Growth and Development Agenda” (GSGDA), Government projects to achieve the following sectoral growth rates in the medium term:

Activity	GDP growth rate (excluding oil)			GDP growth rate (including oil)		
	11	12	13	11	12	13
GDP	7.0	7.0	7.0	12.3	9.3	8.3
Agric	6.1	6.0	6.0	6.2	6.1	6.0
Industry	8.2	8.4	8.4	25.4	14.1	12.0
Service	7.3	7.1	7.1	9.9	8.7	7.5

Recurrent expenditure is estimated at GH¢8,924.9 million, equivalent to 28.6% of GDP and 70.4% of total expenditure

Resource Allocation

Total expenditure for 2011 is estimated at GH¢12,670.8 million, an equivalent of 40.7% of GDP. This consists of GH¢8,924.9 million on recurrent expenditure, and GH¢3,745.9 million on capital expenditure.

The estimated increase in recurrent expenditure is mainly as a result of the increase in expenditure on wages and salaries following the implementation of the SSSP for public sector workers. Wages and salaries are projected to be about 41.8% of recurrent expenditure.

The ability of Government to manage these fiscal challenges, will to a large measure determine the success or otherwise of attaining the economic objectives for 2011.



Direct Taxation and VAT

Employing tax principally as a revenue generation tool

Direct Taxation

Overview

The 2011 Budget Statement introduces a number of tax initiatives which are primarily focused on raising Government revenue by widening the tax net and also clawing back tax revenue which would have been lost to Government through exemptions and concessions granted to the taxpayer.

Government nevertheless also proposes initiatives to benefit taxpayers which include: amending the progressive personal income tax thresholds and increasing the mandatory Value Added Tax (VAT) registration threshold for persons providing goods and services which are subject to VAT.

Administrative Reforms

It is Government's intention to develop clear criteria for evaluating parliamentary permits, waivers and exemptions to further address the perceived leakage of revenue from such concessions.

Government intends to enforce the periodic re-application for tax exempt status by NGOs and charitable organisations. Such applications should be supported by audited financial statements and a record of activities certified by the appropriate sector ministry.

In 2011, administrative reforms include:

- introduction of electronic equipment to monitor revenues from CST;
- introduction of effective ways of taxing self employed professionals;
- increased monitoring of tax reliefs and exemptions with a special focus on enterprises operating in special areas such as the Free Zones; and
- improving audit of top tier VAT payers.

Personal Income Tax

For the second successive year, Government proposes to revise personal income tax thresholds. In 2011, the first GH¢ 92 (GH¢ 84 in 2010) of monthly income will be free of tax. Monthly income in excess of GH¢1,690 (GH¢1,350 in 2010) will be subject to the top rate of 25% tax.

Government further proposes to improve the quantum of personal tax reliefs which have not been changed since 2007.

The widening of the tax bands will improve the take-home pay of employees in the formal sector.

Whilst the proposed revision of personal reliefs is welcome, it is considered that personal reliefs which are regularly revised in line with inflation (rather than the current flat amounts in most cases) would have a more noticeable impact on disposable incomes.

The flat amounts of personal reliefs granted to resident individuals will be increased

Presumptive quarterly vehicle income tax to be increased by an approximate average of 3 times the current amount

Increase in tax stamp rates for informal sector is expected

Increased monitoring of self-employed professionals through collaboration between GRA and RGD

Increase in the threshold for withholding taxes to GH¢500 (from GH¢ 50)

Increase in withholding tax rate for non-resident suppliers from 5% to 15%

Furthermore, a review of the current legal requirement to obtain tax relief cards before personal tax reliefs are granted should be considered. This should reduce the administrative burden on both taxpayers and Government and encourage taxpayers to claim their reliefs, as intended by Government.

Taxation of Self Employed Professionals

Beginning 2011, as part of the effort to capture self employed professionals within the tax net, Government proposes to establish a special desk at the GRA. The main aim of this desk is to ensure that self employed professionals are tax compliant. It is anticipated that the GRA will coordinate its efforts with the Registrar General's Department (RGD), to facilitate monitoring and enforcement of its tax compliance initiatives.

This is an initial step by Government to close the tax gap in the self employed sector. This would be achievable if the process is clear and good linkages are established with the RGD and other licensing bodies as intended.

Vehicle Income Tax

Quarterly vehicle income tax rates applicable to hiring cars, tour operators and articulated timber trucks have been increased by an average of 3 times the existing flat rates that have been applicable since 2005. Transport owners may claim the quarterly taxes paid in advance as a credit against their overall tax liabilities.

This is a notable effort to bring vehicle income taxes in line with other (personal and income) taxes, whilst generating revenue. Notwithstanding that these rates have not changed since 2005, the proposed increases are high. There remains a possibility that vehicle owners may pass on the increased cost to their passengers.

Tax Stamp for Informal Sector Operators

Since the introduction of the Tax Stamp for the informal sector in 2004, the rates have remained unchanged. Government proposes to increase these rates in line with inflation and expects to table a Bill to that effect in due course.

Withholding Tax

The threshold for withholding taxes on the provision of goods and services between two Ghanaian resident entities has been increased from GH¢50 to GH¢ 500.

The GH¢50 threshold has been in place since the Internal Revenue Act, 2000, as amended (IRA) was enacted. This increase should reduce the associated cost of tax administration.

Increase in Withholding Tax Rates on Payments to Foreign Suppliers

In line with Government's goal of enhancing local content, the withholding tax rate applicable to payments to foreign suppliers is to be increased to 15% final tax.

Given that current rates of withholding tax on payments to non-resident suppliers (in the absence of a Double Taxation Agreement – DTA) is 15%, the proposed changes are considered to be targeted at payments made by operators of oil blocks in the Ghanaian upstream oil and gas industry to their non-resident sub-contractors.

Questions that may arise include:

- would the applicable DTAs be relevant to such transactions and potentially reduce the withholding tax rate?.*
- what impact would the proposed changes have on withholding tax rates in existing Petroleum Agreements?*
- would current registration requirements for foreign suppliers doing business in Ghana be removed?*

Reviewing Income Tax Exemptions

Government intends to enforce existing provisions which seek to tax income from commercial activities of exempt institutions.

The IRA currently subjects income derived from commercial activities by an exempt organisation to tax.

Clarification will be required as to whether Government intends to reduce the number of entities currently classified as exempt institutions or rather seek to improve processes and procedures to effectively cover commercial activities by tax exempt institutions hitherto not properly covered.

Industry Concessions – Real Estate Companies

It is the intention of Government to abolish the blanket 5-year income tax exemption for real-estate companies engaged in the construction for, letting, or sale of residential premises. To benefit from the 5 year exemption, only real estate companies that partner with the Ministry responsible for Works and Housing to provide affordable houses will be eligible.

Real-estate companies which provide affordable low cost housing may need to conduct tax focused, cost-benefit analyses to assess the resulting tax benefit should they partner with the Ministry of Works and Housing.

To ensure that tax leakage does not arise, there is a need to establish clear, accessible and transparent procedures, as well as stipulate requirements that must be met prior to partnering with the Ministry for Works and Housing.

Industry Concessions – Hospitality Industry

Government intends to repeal the Ghana Investment Promotion Centre (Promotion of Tourism) Instrument, 2005 (L.I. 1817) which empowered the Board of GIPC to grant enterprises engaged in the hospitality industry exemptions from custom duties, income tax and VAT

and consolidate all applicable tax concessions in the IRA.

Government's proposals do not take into account indirect taxes.

Government should also consider ways of including as appropriate the VAT and customs concessions currently in L.I. 1817 into the relevant tax laws for completeness. This should assist in Government's initiative to promote Ghana as a tourism destination.

Government's intent to repeal L.I. 1817 is informed by its desire to fuel the continuing effort to make policy evaluation and oversight effective and to improve institutional coordination in the way tax exemptions are administered.

This policy initiative is commendable especially following the recent establishment of the GRA which includes within its aims: providing a holistic approach to taxes and customs administration, and providing common tax procedures that enable tax payers to be governed by a single set of rules.

Furthermore, entrusting powers to grant tax exemptions to one office is proper, given practical conflicts that have arisen in the past from the reluctance of revenue authorities to accept tax concessions negotiated by the Board of the GIPC and other regulatory institutions.

Industry Concessions – Additional Tax Holiday for ARB APEX Bank

The 5-year tax holiday for the ARB APEX Bank which was to end in 2009 is expected to be extended by 5 more years to 2014.

This is welcome news. There was however an expectation that the exemption from Capital Gains Tax (CGT) for securities listed on the Ghana Stock Exchange (which is due to end in November 2010) would be extended for a further five years. Its omission from Government's budget is unexpected

Powers of the GIPC Board to negotiate and grant tax exemptions to businesses in the hospitality industry business to be abolished

Restriction in tax exemptions for real estate companies

Tax exemption period for the ARB Apex Bank to be extended to the 2014 fiscal year

Property tax rate regime to be reviewed

The assessable period for payment National Fiscal Stabilisation Levy is to be extended to 31 December 2011

Deferred VAT payments to be abolished

Mineral royalty payments to change from quarterly to monthly

Gift tax rate to be increased from 5% to 15%

A change in the items exempted from VAT by virtue of being on the Mining List is expected to change

Mineral Taxation

Currently, persons engaged in mineral (other than petroleum and water) extraction are required to pay royalties to the GRA within 30 days after the expiration of every quarter. In 2011, Government proposes that quarterly payments of royalties be made monthly.

Payment of mineral royalties on a quarterly basis has existed for over 20 years. The proposed changes seek to address Government's concern about revenue leakage from fluctuating exchange rates over the quarterly period.

Government's proposals represent a major change in the tax payment pattern in the mining industry and will have a significant impact on the cash-flows of entities within the industry. It is recommended that clear and timely guidance is introduced to assist mining companies in planning payment outflows.

Gift Tax

The tax rate on taxable gifts is expected to increase from 5% to 15% of the market value of the gift so received. The increase in the gift tax rate is introduced in order to bring it in line with the current rate of CGT of 15%.

Property Tax

Government proposes to implement a scheme in the second quarter of 2011 aimed at strengthening capacity in the administration of property taxes.

Currently, property taxes are approximately only 0.03% of Ghana's GDP. Government considers that in mobilising revenue through property taxes, Metropolitan, Municipal and District Assemblies (MMDA's) are likely to be less dependent on the District Assembly Common Fund (DACF) in providing local services and amenities.

Strengthening the administration of property taxes will increase revenue for local governments' Home owners should not be unduly

disadvantaged by arbitrary increases in property taxes.

National Fiscal Stabilisation Levy

The National Fiscal Stabilisation Levy (NFSL) that was due to end by 31 December, 2010 is expected to be extended by an additional year, Government considers this as an alternative to the introduction of an additional profits tax.

The NFSL was introduced as a temporary measure and its extension is surprising to the business community as there was an expectation that Government would abide by its timeline for cessation of the NFSL.

Value Added Tax

Abolishing Deferred VAT Payments

Government intends to discontinue deferred payments associated with VAT. In line with this, Government has nevertheless communicated its intent to ensure timely refunds of VAT.

The above proposal was expected since revenues generated from VAT associated with imported goods have not been in line with revenues generated from the application of domestic VAT.

Currently, the Commissioner-General of the GRA has authority to grant an extension to the statutory deadline for filing and payment of VAT. What implications will the abolishment of deferred payment of VAT have on taxpayers who have been granted such concessions?

Clarification is required as to how the discontinuation of deferred payments of VAT applies to imported goods.

Reviewing of Mining List

Government intends to review the mining list to reflect changes that fairly meet the needs of the industry, tighten exemptions, and ensure fairness across industries, whilst safeguarding tax revenues.

It is commendable that Government proactively reviews equipment used in the mining industry to ensure that

Reclassification of some zero-rated supplies to exempt supplies

Mandatory VAT registration threshold for persons engaged in goods and services subject to VAT to be increased to a minimum annual turnover level of GH¢ 90,000

Persons liable to charge CST is expected to be extended to all persons licensed by the NCA and not just Class 1 license holders

Extensive monitoring of communication activities is expected to provide revenue assurance to Government

the Mining List includes essential mining equipment which will benefit from relevant VAT exemptions.

There is a concern however that following the less than expected performance of VAT revenue associated with imports and customs duties, Government may reduce the items on the Mining List.

Increase in Value Added Tax Threshold

It is Government's intention to increase the current mandatory VAT registration threshold for retailers of goods from the annual minimum turnover of GH¢10,000 to GH¢90,000. This new mandatory registration limit will no longer apply solely to retailer of goods but to all suppliers of goods and services subject to VAT.

To expand the tax base, an amendment is expected to be made to the VAT law to describe a new scheme for VAT taxpayers who fall below the GH¢90,000 threshold, who will now fall into a new scheme of combined VAT and income tax assessment.

Reclassifying Zero-Rated Supplies to Exempt Supplies

It is the intention of Government to reclassify the following zero-rated taxable supplies as exempt supplies:

- locally produced textbooks and exercise books;
- locally manufactured agricultural machinery and other agricultural implements or tools; and
- locally produced pharmaceuticals as determined by Minister responsible for Health and approved by Parliament.

Government's reasons for the above are that the reclassification will improve the VAT regime to conform to international standards, in addition to addressing liquidity concerns of the affected industries.

The reclassification of a zero-rated supply as an exempt supply does not necessarily or immediately address liquidity concerns.

Government may seek to implement policies and procedures that ensure that refunds that are due to suppliers that make zero-rated supplies are made on a timely basis.

Additionally, businesses that could previously recover their input VAT will no longer be able to do so, consequently, the VAT so incurred may be passed on to consumers.

Communication Service Tax (CST)

It is proposed that CST will apply to all who operate in the communications industry.

Currently, only communication operators issued with a National Communications Authority (NCA) Class 1 licence are required to charge the 6% CST on communication services they provide.

Widening the scope of the CST to include those who do not hold Class 1 licences is likely to increase the revenue accruing to Government.

Government seeks to ensure fairness across the communications industry in conformity with the existing CST law. This is expected to be achieved by the GRA issuing administrative guidelines on the extension of scope of CST.

The Communications Service Tax Act, 2008 (Act 754) (CST Act) currently does not provide the GRA the powers to issue administrative guidelines for the extension of the scope of persons that are liable to charge CST. A review of the CST Act should therefore be considered to ensure that any administrative guidelines to be issued are in conformity with the applicable tax laws.



Customs & Excise

Resource Mobilisation Initiatives

Government remains focused on improving revenue generation. Increases in customs and excise duties include the following:

Environmental tax on plastic packaging materials

There is a proposed 20% environmental tax to be charged on plastic packaging materials and products excluding bottled water. Sachet water may also be exempted upon application by the producers to the Commissioner-General of the GRA. This is aimed at protecting the environment.

There is a need for Government to specify which plastic packaging materials and products are included in the scope of the new provisions.

Review of Excise Duty Rates

In order to remain competitive and in line with concerns raised by affected industries, Government plans to grant a 2.5% reduction on ad-valorem excise duty for all excisable goods with the exception of spirits and cigarettes. Excise duties on cigarettes are however expected to rise from 140% to 150%.

The reduction of excise duties immediately follows the reversal of excise duties from specific rates to ad-valorem in the prior year budget. This will ensure a reduced production cost for operators of the industry (excluding spirits and cigarettes).

Restriction on use of bonded warehouse

Government has reviewed the current practice of storing goods for up to two years in a bonded warehouse before

taxes are paid and considers that it is not consistent with the main objective of a bonded warehouse system, which is supposed to be a temporary hold for imports.

It is being proposed that henceforth, bonded warehouses should be restricted to raw materials only. The purpose for the bonded warehousing system will also be reviewed and necessary changes proposed.

This restriction will have a significant direct impact on the cash outflow of importers of finished goods and consumables. Importers will need effective cash flow management systems to be able to immediately pay assessed import duties,

The 2010 budget proposed the introduction of the Gross Payment Account (GPA) Facility. This facility was to enable bulk importers make deposit payments towards the total duty payable on warehoused goods. For this to be effective, the GCMS was to be strengthened to improved stock reconciliation. An electronic tracking system was also to be introduced to track stock movement to and from the bonded warehouse.

The GPA Facility was not introduced as proposed. The current proposal to restrict bonded warehouses to raw materials may be a simpler system to operate, administratively, than last year's proposal, however, it may have a severe dampening effect on importers' cashflow.

Exemption of Taxes on Energy Saving Lamps

An additional exemption has been granted for all tariffs on LED lamps as

Imposition of 20% tax on plastic packaging materials and products, aimed at environmental protection

Excise duties to experience a general reduction of 2.5%, with the exception of duties on spirits and cigarettes

Use of bonded warehouse for imports restricted to raw materials

Tariff exemption extended to LED lamps

Government's aim of eradicating dumping of goods to be partially achieved through ECOWAS' imposition of a 35% tariff on imported poultry and rice

Airport taxes to experience upward adjustments for international, regional and domestic travels

Debt recovery levy on petroleum products to be increased

part of Government's efforts towards energy savings and reduced power consumption. This exemption is also extended to primary inputs imported by local companies that produce energy saving bulbs.

Clarity is required as to the following:

- *which types of companies qualify for the proposed exemption;*
- *what constitutes "primary inputs"; and .*
- *specific taxes which are exempt.*

Import tax on Rice and Poultry Products

As a means of harmonising tariffs on certain imported products in the ECOWAS sub-region, a tariff of 35% is to be imposed on imported rice and poultry products upon ratification of the Common External Tariffs (CET) by ECOWAS.

Increase in Airport Taxes

For international travel, airport taxes are proposed to increase from a flat rate of US\$75 for all classes, to US\$100, US\$150, and US\$200 for Economy, Business and First Class respectively. Airport tax for regional travel are also proposed to increase from US\$50 to US\$60, whilst taxes for domestic travel are proposed to increase from GH¢1 to GH¢5.

Tema Oil Refinery ("TOR") Debt Recovery Levy

The low recovery of TOR's debt has prompted an upward adjustment of the TOR debt recovery levy which was introduced in 2003. This levy was applied on specific petroleum products. This upward adjustment is also to lessen the impact of TOR's high debt position on the banking system.

The increased debt recovery levies on certain petroleum products will directly drive petroleum prices upward. This will create pressure on the Consumer Price Index and eventually increase inflation.

Improving Efficiency in Customs Revenue Collection

To reduce the abuse of the customs clearance process and to ensure timely payment of customs duties, only imports by Government or for the execution of Government projects will henceforth be allowed to be cleared "on permit". By this measure, all other customs duties will be paid in full before goods are cleared from the various entry points.

Exemptions and Permits

The long standing debate on the reasonableness of the various tax exemptions has warranted Government to recommend that clear criteria are set for evaluating permits and waivers as well as setting clear clauses when granting such exemptions.

These will include the following:

- limiting personal exemptions to what is permitted in the law;
- review of the Mining list and other import tax exemptions;
- enforcement of the existing requirement that NGOs and charitable organisations re-apply for tax exempt status; periodically with relevant documents such as audited accounts;
- the phasing out in 2011 of special permits to health and teaching service personnel on vehicle imports; and
- the assessment of other special exemptions on their eligibility criteria.

Narrowing the avenue for exemptions will broaden the tax net and most likely increase the tax revenue generation capacity of the nation.

Government is encouraged to blend the proposed revenue-leakage prevention strategies with its aim of stimulating private sector growth. This will ensure that cancellation of exemptions will not serve as a disincentive to industry operators.



Sectoral Outlook

Several initiatives aimed at modernising the agricultural sector

Ministry of Food and Agriculture

Government is determined to modernise agriculture and create job opportunities in 2011. Key initiatives to achieve these objectives include:

- provision of subsidised fertilisers to farmers for increased yield;
- establishing agricultural mechanisation service centres across the country;
- completion of the National Irrigation Policy and the completion of the Accra Plains Irrigation Project;
- construction of a fish laboratory and quarantine stations, two harbours and twelve landing sites and establish a fish processing plant at Elmina;
- establishing the Export Development and Agricultural Investment Fund to finance Agriculture ;
- maintaining a minimum guaranteed price of 70% of the net FOB price of Cocoa; and
- continuing with initiatives such as Cocoa Disease and Pest Control Programme (CODAPEC), Cocoa Hi-Tech programme, Scholarship trust fund, Cocoa Road Improvement Project (CRIP) and Cocoa Farmers' pension and housing scheme to stimulate the sub-sector.

Government has outlined a number of initiatives and projects to ensure that the sector is modernised. Of the total amount proposed for the agricultural sector modernisation,

53% of the funding is expected from donor contribution. Considering the significant role that agriculture plays in the economy, over reliance on donor support may not be prudent considering the unpredictability of donor support.

Government needs to consider having a special levy to support the CRIP as a matter of priority.

Ministry of Lands and Natural Resources

Government aims to promote land and sustainable natural resource management for accelerated wealth creation through the modernisation of the sector. Some of the highlights for the coming year include:

- computerisation of the various divisions of the Lands Commission and development of an integrated Land Information System;
- expansion of the national forest plantation development programmes in all districts;
- promotion of private sector investment in the forest sub-sector; and
- institutional strengthening of the mining sub-sector and improved support to small scale mining.

Government needs to speed up review of lands management in the country to promote private sector investment. Improvement of processes and procedures supported by the computerisation of the Lands

National Tourism Act (NTA) to be implemented

The Renewable Energy Bill currently before Cabinet

Petroleum Exploration and Production Bill, and the Petroleum Revenue Management Bill before Parliament

Ghana Nuclear Energy Regulatory Authority will be established to pave the way for the adoption of nuclear energy by 2020.

Government to review implementation of environmental legislation

Industrial Policy to be developed

Commission is a step in the right direction.

Ministry of Trade and Industry

Support to Private Sector development, Small, Medium Enterprise (SME), and industrial development continue to be the main focus of Government for 2011. Key policy directions include:

- a new industrial policy focusing on industrial production and distribution, technology and innovation;
- work on comprehensive industrial development and competitiveness legislation with emphasis on domestic content;
- development of an industrial salt estate in Keta; and
- establishing an SME database and support in entrepreneurship development.

Ministry of Tourism

Government intends developing the tourism potential and create employment opportunities from those activities. The primary focus will be repackaging and aggressive marketing of such potential by:

- participating in international and local fairs/exhibitions;
- implementing the National Tourism Act;
- using technology to improve information accessibility; and
- ensuring quality and standards in service delivery.

The attraction of Ghana as a tourist destination has not been fully exploited by Government. Well developed and packaged products will increase Ghana's competitiveness on the international market. This will include:

- *the development of infrastructure; and*
- *building capacity of service providers.*

Ministry of Energy

Government's objective for energy is the development and sustenance of an efficient and viable energy sector.

Power Subsector

The focus of the power sub-sector is to continue construction of generating plants, upgrade transmission and distribution network, and scale up rural electrification, to achieve universal access to electricity supply by 2020. The main focus area under renewable energy includes the development of human resource capacity in tertiary institutions.

Petroleum Subsector

Government's objective for the sub-sector is to intensify exploration, production and distribution activities. Government intends to enforce Extractive Industries Transparency Initiative (EITI), to ensure transparency in revenue management.

Government must continue to ensure stability and create greater transparency and accountability in revenue flows from the extractive industry.

Ministry of Environment, Science and Technology

Government aims to establish a strong and vibrant technological base for accelerated growth and sustainable development.

Initiatives to be undertaken during the year include:

- implementation of an Action Plan for utilising local building materials in the construction industry; and
- establishment of National Science and Technology Theme Park.

Centre for Scientific and Industrial Research

Government aims to promote commercial agriculture, sustainable fisheries management, and fast construction techniques for delivery of affordable housing.

National Integrated Water Resources Management Plan to be prepared.

Various storm water drainage systems and flood mitigation programmes to be undertaken

A Railway Master Plan to be prepared

Rehabilitation works at KIA and regional airports to be continued.

Enactment and implementation of the New Road Traffic Regulations

Ghana Atomic Energy Commission

The Commission will continue to develop a comprehensive national groundwater resource assessment programme using isotope hydrogen.

Environment

The Ministry will implement development projects to promote ecotourism, and generate employment. The National Environmental Fund will be re launched. In addition existing fees and levies charged will also be reviewed.

The implementation of the National Environmental Fund should be guided by policies which ensure transparency and accountability.

Town and Country Planning Department

Government intends to pursue the passage of the land use and planning bill, to provide a legal framework to enhance enforcement of planning and building regulations.

Infrastructure Sector

Ministry of Water Resources, Works and Housing

Government continues to focus on increasing potable water supply, affordable housing, improving sanitation systems, as well as the promotion of environmental sustainability.

Water Supply

Government intends to achieve the target of 65.8% and 65.0% rural water and urban coverage respectively. In pursuant of these objectives, Government will:

- draw up a national integrated water resources management plan;
- start the Kpong water expansion project; and
- sink 20,000 boreholes.

Affordable Housing

Included in Government's major initiatives in 2011, will be to provide affordable housing by constructing

housing units across the country as well as provide oversight responsibility for the housing programmes that involve private sector participation.

The initiative of Government to provide affordable housing is laudable, given the current housing gap for the middle to low income groups.

Sanitation

Government will develop a drainage master plan to ensure orderly development of physical properties.

Under the National Flood Control Programme, the annual flooding of certain parts of Northern Ghana as a result of the spill over of the dam in Burkina Faso should be a priority.

Ministry of Transport

Government intends to:

- Seek private sector involvement in the rehabilitation of the railway system, especially the Western Railway Line and suburban railway lines in Accra-Nsawam, Kumasi-Ejisu and Sekondi-Takoradi;
- Continue rehabilitation work at the KIA and other regional airports; and
- Focus on the development of the Takoradi Port to support the oil and gas industry.

Government has been shifting towards private sector participation in developing the rail and road network and other infrastructural projects. Government needs to accelerate its efforts in developing the PPP legislation.

Ministry of Road and Highways

The significant initiatives are:

- phase 1 of the improvement and rehabilitation of feeder roads to support the agricultural sector; and
- the West Africa Transport and Transit Facilitation Project to improve mobility.

The Attorney-General's office is assisting to draft a Legislative Instrument to facilitate the Human Trafficking Law

Focus on science and Information Communication Technology (ICT) and Technical/ Vocational Education

Financial and material support to be provided to achieve gender parity in education

The roadmap to fully integrate the 38 accredited teacher training colleges into tertiary education system to be pursued

Ministry of Communication

Government will continue with the e-Government network infrastructure project aimed at creating a platform for the deployment of ICT on a shared Government IT architecture; including the development of a Worldwide Interoperability for Microwave Access (WIMAX) to serve government agencies in all regional agencies.

The NCA will intensify its policy dialogue with the telecommunication industry players to address challenges associated with implementing the Mobile Number Portability (MNP) solution.

Ministry of Education

Government's emphasis will be on the provision of facilities for science, ICT and technical/vocation education. In line with the MDG's target of eliminating gender disparities in primary and secondary education by 2015, Government will support gender parity programme. Government will establish two public universities at Sunyani and Ho.

Ministry of Youth and Sports

Youth Policy

The National Youth Council (NYC) will continue to organise programmes that offer the youth opportunities for the productive use of their talents and leisure. In line with this, deprived and unskilled youth will be trained in vocational, technical and leadership courses.

The National Youth Employment Programme (NYEP) will be supported to develop and roll out new modules to expand its operations to empower more unemployed and vulnerable youth.

Ministry of Employment and Social Welfare

Government will pursue the following measures over the medium term to ensure the sustainability of the Single Spine Salary Structure (SSSS):

- rationalisation and standardisation of allowances and benefits which are not part of the SSSS to ensure that such allowances are negotiated to sustainable levels;

- payroll audits in Public Sector Institutions to ensure elimination of ghost names and prevent their recurrence;
- performance management-related public sector reforms such as labour rationalisation and others to ensure that pay is tied to productivity; and
- finalise the National Human Resource Policy document aimed at ensuring the development of a knowledgeable, well-trained and disciplined labour force.

Ministry of Health

In line with the efforts to achieve the health-related MDGs by 2015, Government will continue to concentrate on improving health outcomes by targeting resources towards the health of women and children, prevention and control of communicable and non-communicable diseases.

Government will implement the National Child Health Policy and strategy which seeks to increase access to Maternal, Newborn and Child Health Services (MNCH). The Ministry will also implement the adolescent health policy and adopt measures to ensure safe blood product transfusion.

Following the passage of the Mental Health Act, the Ministry will develop a subsidiary legislation and adopt a community mental health care strategy to facilitate the implementation of the Act. The Ministry's mission of "Never Deny Care" will be pursued in all health facilities.

Ministry of Women and Children's Affairs

Government is committed to addressing the challenges identified in 2010. Key among the challenges is the absence of a L.I. on human trafficking. The Attorney General's Department is assisting to draft the L.I. to facilitate the operationalisation of the law.

The Attorney General should work in collaboration with other relevant

Planned live telecast of Parliamentary proceedings

Capacity of Audit Service staff will be developed to undertake oil and gas revenue audits

Enhancing civic education ahead of the 2012 election

organisations with interest in human trafficking in drafting the LI.

In its attempts to eradicate the worst forms of child labour, Government will educate and sensitise people in prone areas to child labour.

Three shelters for victims of domestic violence will be constructed.

Ministry of Local Governance and Rural Development

In pursuit of Government's agenda under community development, skills training will be provided in entrepreneurial development and income generation for Community Based Organisations (CBOs). Support will also be given to communities to plan, implement and monitor community initiated programs.

Administration Sector

Office of Government Machinery

The Internal Audit Agency will continue to engage and collaborate with the leadership of MMDAs to promote the practice of internal audit within their organisations. In this regard, the Internal Audit Agency will be promoting the integrated risk management framework to support internal audit practices at the MMDAs.

Ghana Investment Promotion Centre (GIPC)

GIPC will continue to promote and market Ghana as the destination of choice for business. The centre will also finalise its four-year strategic plan, which will give special focus to the tourism sector, modernised agriculture, and service delivery in the oil and gas sector.

For Ghana to become the preferred destination for business, the outputs of the strategic plan must include sector investor outreach and promotion strategies and a system for tracking, follow up and reporting on investors' concerns.

Office of Parliament

To improve Parliamentary oversight of the executive, members will continue to hold plenary and committee sittings to scrutinise bills and evaluate legislative and

executive performance, aided by the new office complex in Parliament which houses the new committee rooms. Committees will also make visits to project sites throughout the country, with the objective of ensuring that Government resources are efficiently utilised.

Strengthening Parliamentary committees to better perform their oversight duties is a critical aspect of the work of Members. It is therefore important that oversight functions are supported with adequate resources (financial, information technology and or human resources).

In an effort to improve the institutional and logistical capacity of Parliament to adequately perform their representative role and to respond to the needs of their constituents, the MPs Constituency Fund will be established, and Government will initiate a phased programme of providing MPs with constituency offices.

To further bring Parliament closer to the people, a dedicated television channel for the live broadcast of parliamentary sittings and proceedings is planned.

As is found in other democracies, live proceedings of the activities in the Chamber improve the quality of debates and the attendance and participation of MPs in the work of the House.

Audit Service

The Audit Service will focus on operational gaps and risk areas, and also place emphasis on procurement audit and contract administration. The Service will further embark on computerised and electronic systems audit, payroll audit, and performance audit of physical infrastructure. In the light of the expected increase in the oil and gas sector, the Audit Service will organise training on oil and gas revenue audit.

The scope and nature of Government audits have continued to be widened, moving away from transactional audits which do not in general tackle deeper assurance issues such as value for money and performance audits. The Audit Service would need to continue to develop the

capacity of its staff to effectively execute the wide range of audits anticipated.

Public Services Commission

The Public Services Commission plans to establish a human resource bio databank of personnel in public service institutions. A field survey of human resources in the public service will be conducted to provide the facts and figures for the databank.

With the databank, more information will be available on the variety and levels of competencies and experience of public service personnel, and add to the richness of expertise for policy formulation, analysis and decision making across sectors. The availability of such a database will facilitate and enhance the efficient allocation of human resources.

Electoral Commission (EC)

To ensure free, fair and transparent elections, the Electoral Commission (EC) will replace the voters register for the 2012 election. Seminars and conferences will be organised to sensitise civil society organisations on the planned activities of the Commission, and to education the general public on the electoral process.

Good governance includes a multiplicity of actors and institutions such as political parties, parliament, the judiciary, the media, and civil society. In addition to civil society, the EC may therefore want to invite other actors and institutions to participate in its sensitisation programmes

Ministry of Foreign Affairs and Regional Integration

Through the pursuit of economic diplomacy, the Ministry will aim at establishing a just and equitable international economic and social order. Respect for international law and the settlement of international disputes will be pursued in collaboration with other countries and the appropriate international

organisations. Foreign missions will be supported to ensure the promotion and protection of the welfare of Ghanaian nationals abroad

Ministry of Finance and Economic Planning

Government is resolute in its pursuit to ensure economic growth with stability for the promotion of sustainable development of the nation and her people. It remains therefore Government's intention to intensify interventions in economic strategy, public financial management, human resource, and institutional management capacity programmes.

Economic strategy programme

The Ghana Statistical Service will publish its report and findings of the 2010 Population and Housing census. A post enumeration survey will also be conducted, and preparatory activities for the agricultural census will be carried out.

Government can be commended for conducting the census. From census data, Government can derive reliable demographic data needed for planning and monitoring national and sub-national progress towards the Millennium Development Goals and other development objectives.

Government will put in place the institutional framework for PPP by finalising the policy and providing the L.I.

Steps will be taken to improve the operating environment in the financial sector through reform. These will include a review of the legal and legislative instruments to facilitate an effective regulatory regime, and improve the low insurance penetration through the development of micro and agricultural insurance schemes to cater for the informal agricultural sectors.

Creating the institutional framework for PPP and Public Asset Investments

Public Financial Management Programme

2011 will see major reforms in the nation's budget management system with the implementation of the Programme Based Budgeting (PBB) system. Fiscal decentralisation will continue to be given the highest attention through the establishment of a Fiscal Decentralisation Unit in the Budget Division of the Ministry of Finance and Economic Planning to deal with all issues related to fiscal decentralisation as well as intergovernmental fiscal relations.

Further, the improved management of the national payroll system to ensure value for money and eliminate fraud will continue to be an area of priority. Government plans to ensure that all pensioners are fully migrated onto the Integrated Personnel and Payroll Database II. The programme to migrate all subvented organisations onto the national payroll will be intensified.

Greater transparency and accountability in the management of public debt has been thrust into the spotlight. The need to have sound financial management Implementation of Ghana Integrated Financial Management Information System (GIFMIS) will assist this process.

Ministry of Chieftaincy and Culture

During 2011 the Ministry will be embarking on a number of initiatives, including the review of the legal framework regulating the mandate and activities of the following organisations:

- The National Commission on Culture;
- Ghana Museums and Monuments Board;
- The National Theatre of Ghana;
- Kwame Nkrumah Memorial Park;
- Bureau of Ghana Languages; and
- The National Symphony.

The purpose of the review would be to streamline the laws to reflect the current status of these organisations. The Ministry will also complete the construction of the museum of Science and Technology building and two regional theatres.

National Media Commission

Government pledges continual support for the National Media Commission (NMC) to enable it to provide training for its practitioners on the Code and Ethics, review its law and decentralise its activities to accelerate and enhance media practice and reporting.

Ministry of Information

Government plans to develop and classify the Film Bill for consideration by Parliament before the end of 2011. The Information Bill, which is before Parliament, will continue to receive Government support.

Government needs to expedite action on passing the Information Bill.

National Development Planning Commission

The National Development Planning Commission (NDPC) will continue to prepare and disseminate an annual progress report on the implementation of the Ghana Shared Growth Development Agenda (GSGDA). The Commission has also been tasked to coordinate the preparation of National Human Settlement Policy, the National Infrastructure Plan, and the Sector and District Monitoring and Evaluation Plan.

National Labour Commission

The Commission will continue to train and educate social partners on effective labour management corporation and promote good faith in negotiations among stakeholders.

Ministry of Justice and Attorney-General

The Minerals and Mining Law, the Criminal Injuries Compensation Law, the Law of Torts, the Law of Contract and the Marriage Registration Law will be reviewed to reflect current aspirations. The Copyright Tribunal

National Media Commission to provide training for its practitioners on Code and Ethics, review its law and decentralise its activities

Laws on small arms will be simplified

Government plans to support the propagation of Alternative Dispute Resolution (ADR)

Private security organisations will be reviewed and regularised

Legal framework of the operations of NCB to be reviewed

will be established and training will be conducted in line with its core mandate of sensitising the public on the infringement of copyright and related issues.

The setting up of Copyright Tribunal is long overdue since the Copyright Law was passed in 2005.

The speedy adjudication of copy right cases will serve as an impetus for developing skills and talents.

The Economic and Organised Crime Offence Act will be implemented with emphasis on financial or economic crimes, money laundering, human trafficking, prohibited cyber activity and tax fraud. The implementation of this Act will require collaboration with the related institutions.

The business registration programme will be enhanced and provision made to support its decentralisation programme. Further, on-line registration of businesses will be pursued with GC Net

Ministry of Defence

To meet the security challenges posed in the oil and gas industry, Government will continue to develop national policies and strategies to upgrade the capacity of the forces by providing requisite skills, equipment and logistics. Government plans to set up Petroleum Security Coordinating Centre (PSCC) to carry out functions in accordance with the National Oil Security Plan.

Commission for Human Rights and Administrative Justice

The Commission will continue to monitor the implementation of the National Anti-Corruption Action Plan (NACAP) prepared to assist the fight against corruption and reduce opportunities for corrupt practices. To achieve this, the Commission's efforts will be strengthened to promote and enhance national integrity through the National Integrity Programme by setting up ethics and desks and advisory committees in the MDAs.

CHRAJ requires continued support from Government to enable it to carry out its mandate effectively. More civic education is required to sensitise the public

Judicial Service

Government will continue with the implementation of strategies in the Legal Sector Improvement Programme. In pursuance of that strategy, Government will initiate the process of automating the magistrate courts to facilitate the performance of family court, juvenile and drug related courts.

Government will also provide adequate support for further propagation of the principles of Alternate Dispute Resolution (ADR) and the extension of Week End Magistrate Courts to Kumasi and Takoradi.

Ministry of Interior

The Police Service will intensify measures to reduce crime. The concept of community police will be enhanced through public education. To improve maintenance of law and order, the activities of private security organisations will be reviewed and regularised.

Ghana Immigration Service will take steps to enhance revenue generation and mobilisation by ensuring greater enforcement of Immigration laws and effective border controls.

A legislative review of the mandate of the Narcotics Control Board (NCB) will be undertaken to enhance detection.

Appendix 1

Comparison of 2011 revenue estimates with 2010 projected actuals

Items	2011 (GH¢m)	Projected Outturn for 2010 (GH¢m)	Variance (GH¢m)
A. Direct Taxes	3,334.8	2,380.2	954.6
B. Indirect Tax	2,393.1	1,974.1	419
Value added tax (import and domestic)	1,937.7	1,608.3	329.4
Petroleum tax	330	260.5	69.5
Other indirect taxes	125.4	105.3	20.1
C. International Trade Taxes	1,335.9	1,102.7	233.2
Import duties	1,273.7	1,089.6	184.1
Export duty (duty)	62.2	13.1	49.1
D. National Health Insurance Levy	477.7	365	112.7
E. Other Revenue Measures	402.3	453	(50.7)
F. Non Tax Revenue	1,355.7	1,381.7	(26)
Non-oil revenue	1,093.5		
Oil revenue	262.2		
TOTAL REVENUE	9,299.5	7,656.7	1,642.8
Grants	1,301.6	1,171.7	146.6
TOTAL REVENUE AND GRANTS	10,601.1	8,828.4	1,772.7
A. Foreign Financing	1,117.1	1,340.8	(223.7)
Loans	1,618.7	1,678.9	(60.2)
Amortisation	(619.8)	(459.8)	160
Exceptional financing (HIPC Relief)	118.2	121.7	(3.5)
B. Domestic Financing	1,219.8	1,618.5	(398.7)
TOTAL FINANCING	2,336.9	2959.3*	(622.4)

* We note that in the Budget Statement the figure provided does not agree with this total

Appendix 2

Comparison of 2011 expenditure estimates with 2010 projected actuals

Items	2011 Projected (GH¢m)	Projected Outturn for 2010 (GH¢m)	Variance (GH¢m)
A. Recurrent Expenditure	8924.9	7,846.2	1,078.7
Wages and salaries	3,732.8	3,283.0	449.8
Goods and services	604.2	780.0	(175.8)
Transfers	2,352.7	2,103.9	248.8
Interest payments	1,831.3	1,310.9	520.4
Other recurrent expenditure	403.9	368.3	35.6
B. Capital Expenditure	3,745.9	2,904.8	841.1
Domestic-financed	1,587.5	1,154.8	432.7
Foreign-financed	2,158.4	1,750.0	408.4
C. HIPC and MDRI-financed		288.9	
D. Arrears clearance and tax refunds	267.3	302.8	(35.5)
TOTAL EXPENDITURE (INCLUDING ARREARS CLEARANCE AND TAX REFUNDS)	12,938.01	11,342.7	1,595.4

Glossary

ADR	Alternative Dispute Resolution
BOG	Bank of Ghana
BOP	Balance of Payment
BOT	Balance of Trade
CRIP	Cocoa Road Improvement Project
CST	Communication Service Tax
DTA	Double Taxation Agreement
EC	Electoral Commission
ECOWAS	Economic Community of West African States
EITI	Extractive Industries Transparency Initiative
GDP	Gross Domestic Product
GH¢	Ghana Cedis
GIFMIS	Ghana Integrated Financial Management Information System
GIPC	Ghana Investment Promotion Council
GPA	Gross Payment Account facility
GRA	Ghana Revenue Authority
GSGDA	Ghana Shared Growth Development Agenda
ICT	Information Communication Technology
IMF	International Monetary Fund
IRA	Internal Revenue Act, 2000 (Act 592) as amended
JBP	Joint Border Project
KIA	Kotoka International Airport
MDAs	Ministries, Departments and Agencies
MMDAs	Metropolitan, Municipal, and District Assemblies
NCB	Narcotics Control Board
NDC	National Democratic Congress
NDPC	National Development Planning Commission
NMC	National Media Commission
PPP	Public-Private Partnerships
SME	Small Medium Enterprise
SSSP	Single Spine Salary Policy
SSSS	Single Spine Salary Structure
TOR	Tema Oil Refinery
VAT	Value Added Tax
WAMZ	West Africa Monetary Zone
WIMAX	Worldwide Interoperability for Microwave Access

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