



**REPUBLIC OF GHANA**

## **BUDGET SPEECH**

Budget Statement and Economic Policy

of the

**Government of Ghana**

for the

**2011 FINANCIAL YEAR**

Presented to

**PARLIAMENT**

On

**18<sup>th</sup> November, 2010**

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By

**DR. KWABENA DUFFUOR**  
MINISTER OF FINANCE AND ECONOMIC PLANNING

**On the authority of**

**H. E. PROF. JOHN EVANS ATTA MILLS**  
PRESIDENT OF THE REPUBLIC OF GHANA

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**Theme: "Stimulating Growth for Development and Job Creation"**

**THE BUDGET STATEMENT AND ECONOMIC POLICY FOR FISCAL  
YEAR 2011**

1. **Madam Speaker,** I beg to move that this august House approves the Budget Statement and Economic Policy of the Government for the year ending 31<sup>st</sup> December, 2011.
2. **Madam Speaker,** in accordance with Article 179 of the 1992 Constitution, I have the singular honour and privilege to stand before this august House and the people of Ghana to present the 2011 Budget Statement and Economic Policy on behalf of the President, His Excellency, Prof. John Evans Atta Mills.
3. Madam Speaker, this presentation is an abridged version of the Budget Statement. I would like to request the Hanzard Department to capture the entire Budget Statement and Economic Policy tabled and circulated for your information and action.
4. **Madam Speaker,** on 18<sup>th</sup> November, 2009, I presented to this House the second Budget Statement of the NDC Government. The Budget was based on government's vision of a "**Better Ghana**", in which growth and economic prosperity are anchored on creating opportunities for improved standard of living for all Ghanaians.
5. Our "**Better Ghana**" agenda is to be achieved through the implementation of sound and prudent economic policies intended to ensure continuous stability and to stimulate growth within an environment of good governance.

6. **Madam Speaker**, I am pleased to report that, two years on, despite the challenges, we have made significant progress. The economy has shown strong resilience and stability, as indicated by all the key macroeconomic indicators as follows: -
- **GDP growth of 4.1 percent in 2009 compared to the sub-Saharan Africa growth of 2.0 percent;**
  - **The fiscal deficit reduced significantly from 14.5 percent of GDP on cash basis at the end of 2008 to 9.7 percent of GDP in 2009;**
  - **Inflation has trended downwards in sixteen (16) consecutive months from 20.74 percent at the end June 2009 to reach 9.38 percent in October 2010, the lowest in the last two decades;**
  - **Gross international reserves of US\$3,973.0 million at the end of October 2010 has exceeded three months of import cover compared with reserves of US\$2,036.2 million at end December 2008 which could barely cover 2 months of import; and**
  - **The Cedi has strengthened and appreciated by 0.1 percent, 2.2 percent and 5.4 percent against the US dollar, the pound sterling and the euro respectively.**

7. **Madam Speaker,** the interim growth figures released by the Ghana Statistical Service clearly show that we have been able to return the economy to a path of sustainable growth.
8. The oil and gas production which will be on stream very soon will further consolidate this effort and ensure accelerated growth. The careful and rigorous rebasing of our national income has revealed that the size of the economy has become bigger.
9. **Madam Speaker,** with the progress made so far, I can confidently state that we are ready to make the transition from stability to accelerated growth.
10. We should all note with satisfaction that, as a result of our collective effort towards good governance since the inception of the fourth republic, our dear nation Ghana has now joined the league of middle income countries. Indeed when we met our Development Partners in Accra in September this year, they reaffirmed their faith in Ghana and in its policies and prospects. With their support and more importantly through our own efforts, we will forge ahead with the challenge to ensure an accelerated growth and development as well as fair and equitable income distribution.
11. **Madam Speaker,** our medium term development framework, the "Ghana Shared Growth Development Agenda" (GSGDA) 2010-2013, has been completed and will be presented to this august House before the end of this year.

12. **Madam Speaker**, we believe that it is the duty of government to ensure equity and fairness in salary administration and reward Ghanaian workers for their commitment to our economic growth and development. This budget demonstrates our commitment to do just that. And in order to fully meet the challenge of a comprehensive administration of the Single Spine Salary Structure, we have focused on improved efficiency in revenue management.
13. **Madam Speaker**, the year 2011 marks the beginning of Ghana's oil and gas production in commercial quantities. A major challenge will be how the oil revenues will be used to transform the economy and accelerate growth without sacrificing macro-economic stability and accentuating income inequalities.
14. Based on experiences from other oil and gas producing countries, government is taking steps to manage the oil and gas revenues in a manner. Our goal is to ensure that the building blocks for accelerated growth and development, namely, social, economic and physical infrastructure are appropriately improved. It is in this context that we recently presented to Parliament, the Petroleum Revenue Management Bill.
15. The theme for the 2011 budget "**Stimulating Growth for Development and Job Creation**" has been chosen to focus attention on the need to propel the economy onto a higher growth and development trajectory.
16. **Madam Speaker**, the 2011 budget will focus on major growth-oriented programmes and projects that would improve and sustain Ghana's middle income status. To this end, there will be significant investments in the areas of

energy, road and rail transport to facilitate private sector expansion for employment generation. These growth-driven investments will be complemented by social intervention programmes in line with the core values of the NDC in providing equality of opportunities and improvements in the social development of our people. All the social intervention programmes in the health and education sectors will continue to be funded.

17. **Madam Speaker**, government will harness and use effectively available resources from both domestic and foreign sources all to deliver on our pledge of a **Better Ghana**. Government will continue with its prudent fiscal and monetary policies to sustain the macroeconomic stability for improved private sector growth, which we believe, will stimulate employment and improve the quality of life for Ghanaians.
  
18. **Madam Speaker**, in this abridged presentation of the 2011 budget, I wish to highlight the following: -
  - a. **Developments in the global economy in 2010, an outlook for sub-Saharan countries, and their impact on the domestic economy;**
  
  - b. **Developments in our economy and major achievements for the fiscal year 2010;**
  
  - c. **Government's medium term macroeconomic framework that sets out the objectives and policies for the next three years;**
  
  - d. **Key achievements in 2010 and key priority interventions of government that would be**

**funded in pursuit of the growth and development agenda in 2011;**

- e. Reforms that would complement major policy interventions for achieving the shared growth agenda; and**
- f. Policy initiatives.**

## **GLOBAL ECONOMIC DEVELOPMENTS**

19. **Madam Speaker,** the world economy has experienced gradual recovery since the 2007-2008 major recession. Downside risks, however, remain prominent because most advanced and few emerging countries are faced with major fiscal adjustment problems, sluggish growth and high unemployment rates.
20. Many developed countries are still confronted with huge public debt and fragile financial sector which have to be dealt with through monetary and fiscal measures. Some of these measures may, however, lead to further lowering of global demand and consequently affect the growth rate of global output and worsen the current high unemployment rates globally.
21. **Madam Speaker,** the above developments have implications for our country since reductions of the budgets of developed countries may result in cuts in external aid to developing countries and also lead to lower demand for our exports.
22. In emerging and developing countries, prudent policies that were implemented as part of the policy package to counteract the effects of the global crises have contributed

significantly to a favourable medium term growth outlook. Their continuous good performance will, however, remain dependent on demand in advanced economies.

23. Against this background, the IMF forecasts global output to expand by 4.8 percent in 2010 and 4.2 percent in 2011. These growth projections will be led by emerging and developing economies with projected rates of 7.1 percent and 6.4 percent, respectively, in 2010 and 2011. However, growth projection in advanced economies will remain subdued at 2.7 percent and 2.2 percent, respectively (World Economic Outlook – WEO, October, 2010).
24. To overcome the potential downside risks, the Fund recommends the need to strengthen private sector demand in advanced economies, continuation of fiscal consolidation, and an increase in net exports in deficit countries.
25. **Madam Speaker,** in sub-Saharan Africa, economic recovery has been faster than expected, with projected growth rate of 4.5 percent in 2010 and 5.7 percent in 2011, compared with the growth rate of 2.0 percent in 2009. The downside risks to this favourable growth outlook are the highly volatile financial sector and the uncertainties in the developed countries which can result in lower demand for raw materials, and lead to lowering of commodity prices.
26. **Madam Speaker,** the implementation of the Ecowas Common External Tariff (CET) and Ecowas Community Development Programme (CDP) presents opportunities and challenges to both the government and the private sector. The CET and CDP have far-reaching implications for government revenue as well as exports of manufactured goods and imports. Government will support domestic

manufacturers and exporters to enable them reposition their businesses to take advantage of the opportunities presented by the wider market that the community will create.

27. **Madam Speaker,** as a result of the severe macroeconomic imbalances that this government inherited from the previous administration, we had to seek the assistance of the International Monetary Fund (IMF) to help us stabilize the economy.
28. In this regard, in 2009 government requested for a three-year programme now called the Extended Credit Facility (ECF) from the IMF.
29. The IMF Executive Board, on 15<sup>th</sup> July, 2009, approved a loan of 387 million Special Drawing Rights (SDRs), equivalent to US\$602 million as balance of payments support to Ghana. This amount is expected to be disbursed in seven tranches over a three-year period (ending in June 2012), after each semi-annual review of the programme.
30. The first and second reviews of the programme have been successfully completed, and a total amount of US\$218 million have so far been disbursed to support the country's balance of payments. The third review of the programme is expected to be completed by the end of January, 2011.
31. The programme has contributed to the stabilization of the economy, as the disbursements have helped to increase the level of Ghana's reserves, which in turn, has helped stabilize the Cedi and boosted confidence in the economy.

## MACROECONOMIC PERFORMANCE

32. **Madam Speaker,** the Ghanaian economy was able to withstand the impact of the global crisis relatively well. This can be attributed to the prudent macroeconomic policies that were pursued by the government; the favourable world market conditions for cocoa, gold exports; and good rainfall which supported increased agricultural production.
33. Even though real GDP growth slowed down to 4.1 percent in 2009, mainly on account of the impact of the world economic crisis, growth is expected to bounce back to about 5.9 percent in 2010 as the domestic and world economic environment improves. Real GDP growth is projected to reach about 12.3 percent in 2011, on account of strong performance in the manufacturing and services sectors and the coming on stream of oil production and exports.
34. **Madam Speaker,** provisional GDP estimates released by the Ghana Statistical Service indicate that the Ghanaian economy has undergone a significant structural change. The agricultural sector which has for long dominated economic activity has given way to the services sector. Cocoa production, the mainstay of the agricultural sector, however, continues to grow strongly, with output expected to reach 650,000 metric tons this year.
35. The continued strong performance of the cocoa sub-sector reflects the increased government support to the industry, taking the form of higher domestic producer prices, improved disease and pest control programmes, rehabilitation of feeder roads in cocoa growing areas, and payment of decent bonus packages to cocoa farmers.

36. **Madam Speaker,** the growth of the economy in the medium term will be more broad-based, with the manufacturing sector expected to expand and the oil and gas sector joining in very strongly. Growth in the manufacturing sector will be driven by the increased activity in construction, mining, oil-related infrastructure, electricity and water. The services sector is also expected to continue to grow at a faster rate, on account of the expected increase in activities in the tourism, wholesale and retail trade sub-sectors, as well as finance.
37. **Madam Speaker,** the main objective of the 2010 Budget was to continue the progress in fiscal consolidation to ensure macroeconomic stability. To this end, the 2010 budget used the budget deficit as the fiscal anchor, and targeted a further reduction in the fiscal deficit to 7.5 percent of GDP. This target was to be achieved by improving expenditure rationalisation and management, while enhancing revenue mobilization.
38. **Madam Speaker,** in reviewing the fiscal performance of the economy for 2010, provisional actual information available up to the end of September, 2010, have been used and based on this, projections are made to indicate the expected outturn for end 2010.
39. Provisional data on the implementation of the budget for the first three quarters of 2010 indicates that, revenues were below the budget target by 1.8 percent. On the other hand, expenditures were higher than estimated by 8.0 percent.
40. **Madam Speaker,** given the performance of revenues and expenditures for the first three quarters of 2010, the overall budget balance, showed a deficit of GH¢2,294.3 million.

This is equivalent to 8.8 percent of GDP, compared with a budget target of a deficit equivalent to 7.6 percent of GDP.

41. The bigger deficit is mainly as a result of increased disbursement of project loans than was anticipated, and the accelerated clearance of domestic arrears than programmed for the first three quarters of the year.
42. Based on the projected revenues and expenditures up to the end of the 2010 fiscal year, the fiscal deficit for the full year is expected to be GH¢2,514.3 million, equivalent to 9.7 percent of GDP. The projected rise in the fiscal deficit is mainly as a result of the projected higher disbursement of project loans from our development partners than was earlier estimated.
43. The domestic primary balance for the period under review registered a deficit equivalent to 2.1 percent of GDP, against a budget target of a deficit equivalent to 3.2 percent of GDP. The domestic primary balance is expected to be a deficit equivalent to 1.4 percent of GDP at the end of the year.
44. **Madam Speaker**, the consumer price index released by the Ghana Statistical Service for October this year shows a steady decline in the inflation rate from the peak of 20.7 percent in June 2009 to 9.38 percent in October this year. This steady decline is attributed largely to our prudent fiscal management, continued monetary restraint, supported by a good food harvest. Indeed food inflation has declined from an average of 15.8 percent in 2009 to 5.6 percent in October this year. Over the same period, non-food inflation dropped from an average of 21.8 percent to 11.8 percent. The appreciation of the Cedi has also contributed significantly in lowering inflation in the country.

45. **Madam Speaker,** the steady decline in the inflation rate provides concrete evidence of an economy that is recovering from the deep crisis it found itself at the end of 2008.
46. **Madam Speaker,** the general downward trend in interest rates which begun in June 2009 is continuing. The Central Bank policy rate has fallen steadily over the period, reaching 13.5 percent in July 2010. All short term interest rates on the money markets have also fallen in the last 10 months of the year. Commercial banks, however, have been less responsive to the general fall in interest rates and the inflation rate, citing high risks associated with lending to small and medium size businesses as the major cause of their inability to reduce their lending rates.
47. **Madam Speaker,** the performance of the external sector of the economy in fiscal year 2010 has been very remarkable. For the first time in many years, the balance of payments registered a surplus of over USD100 million in the first nine months of this year, and the projected surplus for the fiscal year is USD315 million.
48. **Madam Speaker,** the stock of gross foreign reserves of the country increased to USD3, 973 million in October 2010 from USD3, 165 at the end of December 2009. This shows that the NDC Government has increased the country's cover of imports of goods and services from 1.8 months in 2008 to 2.4 months in 2009, and to 3.2 months in 2010.

### **MAJOR ACHIEVEMENTS IN FISCAL YEAR 2010**

49. **Madam Speaker,** in the 2010 Budget, government outlined a number of programmes and projects that were to

be implemented in the key sectors of the economy to improve the livelihood of the people of this country. I will like to mention some of the major achievements made in some of the key sectors.

### **Education**

50. **Madam Speaker**, some of the major achievements made in the education sector in the fiscal 2010 are the following:-

- 175 classroom blocks were completed across the country to replace schools under trees, and contracts for 165 new schools were awarded. Work is in progress to construct additional 214 six-unit classroom blocks for Senior High Schools.
- The three Northern Regions benefitted from 67 classroom blocks with sanitary facilities for kindergarten, primary and junior high schools under the Northern Floods Program
- GH¢4.9 million was spent to subsidize the cost of conducting Basic Education Certificate Examination (BECE).
- We have given the real meaning to word "FREE" in the FCUBE. About 23 million exercise books were distributed to school pupils and 526,263 uniforms provided to children of need.
- GH¢23.8 million was paid as capitation grant to pupils in all public basic schools.

- GH¢50 million was spent by government to support the School Feeding Program under which 670,000 pupils benefitted.

## **Health**

51. **Madam Speaker**, in pursuit of the NDC government's commitment to equitable health care for all the following key projects were completed in the health sector in the fiscal year 2010:-

- 45 CHPS zones were created;
- 600,000 Rapid Diagnostic Test Kits for the confirmation of malaria cases were supplied;
- The 100-bed hospital with Malaria Research Centre at Teshie, Accra was completed; 5 Polyclinics in the Northern Region (one each at Kpandai, Tatale, Kanga, Chereponi and Karaga); and 21 health centers were completed;
- Phase two of the rehabilitation and upgrading of Bolgatanga Regional Hospital was completed;
- Essential nutrition actions, aimed at preventing neonatal deaths and enhancing health services for children, were implemented in all the 10 regions of the country.
- 140 trainers of trainers were exposed to the use of the new World Health Organization Growth Chart.
- 5 new midwifery training colleges were established to run courses in Post Basic Certificate in Midwifery

## Agriculture

52. **Madam Speaker**, food security and good nutritional health forms part of the NDC government's agricultural policy. The Ministry of Food and Agriculture scaled up its efforts to enhance food security and reduce income variability of farmers during the review period. The following interventions were made during the year.
- The National Food Buffer Stock Company (NAFCO) was established during the year and the company purchased and stored 6,949 metric tons of rice and 416 metric tons of maize.
  - 60,000 metric tons of fertilizer was subsidized at an average cost of GH¢16 per bag for distribution to farmers under the Fertilizer Subsidy Program.
  - 2,584 livestock of various improved species were supplied to farmers in 6 regions. In addition, 35,000 cockerels were supplied to 1,750 farmers in 25 districts.
  - The construction of cold stores in 6 fishing communities (Nyanyanor, Koromantse, Apam, Half - Assini, Shama and Sekondi) commenced during the year. This was in addition to about 11.1 hectares of ponds and 192 fishing cages that were constructed.
53. The following agriculture interventions were undertaken under the agriculture commercialization project, as part of the Millennium Development Authority programs:
- 47,000 farmers in 940 Farmer Based Organizations were trained in business capacity;

- US\$2.0 million was disbursed to farmers and small and medium term enterprises under the Alliance for Green Revolution in Africa (AGRA) project; and
- GH¢4.0 million Agricultural Credit was disbursed.

### **Cocoa Sub-Sector**

54. **Madam Speaker**, the government revised the producer price of cocoa twice upwards in the 2009/2010 crop year and again in October 2010. The producer price of cocoa is now GH¢ 3,200.00 per ton or GH¢200.00 per bag. This new price is 75.15 percent of the net FOB price, the highest in the history of this country.
55. The Ghana Cocoa Board (Cocobod) purchased a total of 632,024 metric tons of cocoa (main and light crop) during the season and paid a total of GH¢ 50 million to cocoa farmers as bonus for the 2008-2009 crop season.

### **Transport, Roads and Highways**

56. **Madam Speaker**, construction, rehabilitation or upgrading of a number of roads and highways were completed during the year to reduce road infrastructure backlogs in the country. The Ho-Fume, Sogakope-Adidome-Ho, Kumasi-Techiman, Doyormu-Prampram and Nkawkaw-Obemeng were among the major roads that were completed during the year.
57. **Madam Speaker**, routine maintenance was done on 3,975.07 kilometers of highways, and re-gravelling and resealing of 444.36 km of road were also completed. In addition, some 810.13 kilometers of road improvement

works was executed under the Improvement Work, Partial construction, Upgrading and Rehabilitation Program.

58. About 1,716 kilometers of feeder roads were routinely maintained while 521.8 kilometers were rehabilitated, including the construction of 8 bridges.
59. **Madam Speaker**, the Ministry of Roads and Highways completed 700 kilometers of urban roads in respect of periodic maintenance works and 1,680 kilometers of routine maintenance. The Central Business District roads in Accra were completed and 77 kilometers of minor rehabilitation and upgrading works were also completed.
60. **Madam Speaker**, construction works on the rail extension from Asoprochona to Tema was completed and the running of the diesel multiple units were commissioned. This opened up the Accra-Tema sub-urban rail service for full service.
61. The following transport projects were also undertaken by the Millennium Development Authority:
  - Refurbishment of floating dock in Akosombo to aid the construction of two RoRo Ferries;
  - Construction of 75 kilometers of trunk and 348 kilometers of feeder roads is in progress;
  - Construction is in progress on the 14 kilometers N1 highway in Accra;

### **Energy**

62. **Madam Speaker**, the following key projects were undertaken in the energy sector:

- 253 rural communities were supplied with electricity under the SHEP 4 Project, and a survey to connect additional 1,200 communities was completed;
  - The provision of street lights in Sunyani, Tema, Ho and Wa was completed, while work on Accra and Kumasi projects is progressing;
  - Work on the design and construction of 400 megawatts hydro power plant at Bui to enhance power generation is 32 percent complete, while work on the construction of 132 megawatts combined power cycle plant at Aboadze commenced;
  - The provision of circuit breakers to protect equipment and increase transformer capacity in Techiman, Kumasi, Winneba and Akosombo is 80 percent complete. Replacement of wooden poles with steel tubular in the Volta Region was completed while civil works for the construction of No. 2x20 MVA primary sub-station is 70 percent completed;
  - Tamale and Kumasi Polytechnics and the Kwame Nkrumah University of Science and Technology were supported with solar training and testing equipment for the training of technicians.
63. **Madam Speaker**, the development of the Jubilee fields for the production of oil is on track. Work on the sea floor and the Floating, Production, Storage and Off-loading (FPSO) is 95 percent and 98 percent complete, respectively. The construction of four 10,000 cubic metre storage tanks with ancillary facility at the Accra plains depot has been

completed while an inland petroleum jetty, River Barges and Tug boats at Debre is 80 percent complete.

### **Water Resource, Works and Housing**

64. **Madam Speaker**, the following were accomplished in the Water, Works and Housing sector during the fiscal year 2010.

- 64 new boreholes, 58 small town pipe systems and 2 small community pipe systems were constructed under the Program for Providing Safe and Portable Water to Communities.
- Construction works on a 500 cubic metre reservoir to provide potable water for residents in Kasoa, Gomoa Nyanyano, and Senya Breku were substantially completed, while the expansion programme to meet water demands in Accra, Koforidua, Cape Coast, Kumasi and Sunyani are at various stages of completion.
- 160 two-bedroom houses and 49 septic tanks were constructed at Kedezi, Vodza and Adzido to enhance life and protect properties of families residing along the sea in Keta.

### **Communication**

65. **Madam Speaker**, the following projects were undertaken in the communication sector during the year.

- The consolidated International Gateway Monitoring System was installed to help the communication

sector accelerate the development of mobile telephony.

- 90 percent of the Kumasi-Techiman-Tamale stretches of the National Fibre Backbone Project was completed. In addition, 90 percent of the Navrongo-Paga path and 50 percent of the Tumu-Wenchi stretch were also completed.
- The Enterprise Architecture (EA) and e-Government Interoperability Framework designed to bring efficiency and transparency into government operations were launched during the year.
- As part of the Schools Connectivity Project, 760 computers were supplied to 38 training colleges.

### **Trade and Industry**

66. The Ministry of Trade and Industry completed the repositioning of the Destination Inspections services in the country after the review of the scheme.
67. To streamline the import management process and facilitate the speedy clearance of goods through customs, and at the same time improve record keeping, the Electronic Import Declaration form was introduced. Paper Import Declaration Forms have been phased out wherever there is GCNet Connectivity.
68. To reduce linguistic barriers and improve Ghana's trade relations with French speaking countries, 320 Officers from both public and private sector institutions are being trained through the Ministry's Business French Program.

69. The Tariff Advisory Board became fully operational and is addressing inadequacies in the tariff system. The Board will ensure that Tariff are set to promote the national economic development agenda and ensure equity and fairness vis-à-vis the competition between imported products and local production.

**Export Promotion**

70. The Ghana Export Promotion Council participated in the following International Fairs and provided the opportunity for Ghanaian SME Enterprises to also participate in these fairs: the Ambient Fair in Germany, the Abuja and Lagos Trade Fairs in Nigeria, the Tripoli International Fair in Libya and the Shanghai Expo in China.
71. A Nations Traceability System based on a Geographic Information System for priority exports has been established for priority driven exporter database. 26 trainers, 200 exporters and business support organizations have been trained to use and manage the traceability system.
72. The Export Development and Investment Fund through the Mango Development Projects supported the planting of 12,000 acres of mango seedlings in the Northern, Upper East, Upper West, Brong-Ahafo and Northern Volta regions, with a view to developing mangos as a major export crop.
73. The Ministry of Trade and Industry with funding from the Export Development and Investment Fund and support from the fertilizer subsidy program of the Ministry of Food and Agriculture started the Cotton Support Program, and assisted 3000 farmers in the three Northern Regions to cultivate cotton for export.

**Support for Small, Micro and Medium Enterprises (SMMEs)**

74. The Rural Enterprise Skills Project, has provided training and start up kits for 4,252 rural apprentices in metal works, auto-repairs, electronics, leatherworks, masonry and blacksmithing.
75. 500 rural micro and small-scale enterprises were supported through the training of master crafts persons and created about 8000 new jobs in the rural areas. In addition, over 520 rural entrepreneurs have been supported with credit facilities in the sum of GHC1,120.00.
76. Moreover, three rural technology facilities in the Assin South, Garu Tempene and North Tongu Districts were completed and 4 more are at a 70 percent level of completion. These will allow for the manufacture of simple machinery to support agro processing and small-scale industrial activities.
77. Eighteen Rural Technology facilities were provided with Nissan Pick-ups and standby generators, 40 District Business Advisory Centres were supplied with motorbikes, and 6 new Business Advisory Centres were also supplied with office equipment.
78. The National Board for Small Scale Industries provided business development assistance to 23,879 businesses, 322 SMME entrepreneurs, also provided training and finance and were assisted with loans amounting to GH¢234,281.00 as part of the effort to facilitate job creation.
79. The GRATIS Foundation provided training to 300 technical apprentices in metal machining, welding and fabrication, foundry and woodwork. The company manufactured 141

units of cassava, and Palm fruit processing equipment, which were exported to Sierra Leon and Cameroon. The company also developed several new prototype machines for use on the local market. The machines include crop residue processor, multi-crop thresher with a winnower<sup>5</sup>, food wormer, a tomato pulping machine, and a soap processing plant.

80. The Business Development Services Fund provided US\$3.3 million grants to 142 SME's to acquire technical assistance to address issues of low productivity, access to markets, product development and access to finance.
81. The Ghana Standards Board (GSB) through the Private Sector Development Strategy phases 1 program refurbished the soil and fertilizer laboratories. The GSB has also developed an Export System AlertWebsite to provide information to exporters on export quality queries and alerts from the country's major export markets to exporter. The GSB also inspected 2,663 fuel pumps and accessories at 432 fuel stations, calibrated 3,438 weighting and measuring instruments, verified 18,572 trading devices, reviewed and adopted 252 standards for ensuring the quality of selected products.

### **Legislative Initiatives**

82. To streamline exports of non-ferrous scrap metal L.I. 1969 was passed this year to ensure that exporters do not misclassify ferrous scrap for local production.
83. L.I.1962 was also passed to ensure the payment of corporate income tax by free Zone Enterprises registered under the Free Zones Act.

### **2010 Population and Housing Census**

84. **Madam Speaker**, during the year, the Ghana Statistical Service undertook a Population and Housing Census in the country. The government provided GH¢ 64 million for the conduct of the Census, which will provide relevant data on the country's population and structure, households and their profiles, housing conditions, school attendance, literacy and educational levels. The Census will also provide some of the data needed to assess progress on the six of the ten millennium development goals (MDGs) and their corresponding targets.

### **Review of National Accounts**

85. **Madam Speaker**, the Ghana Statistical Service has reviewed the methodology and reference period for the national accounts. The exercise was designed to capture the significant changes that have taken place in the socio-economic landscape of the country, as well as sustained shifts in the structure, relative composition and distribution of production across and within sectors and activity groups.

### **MACROECONOMIC FRAMEWORK FOR THE MEDIUM TERM**

86. **Madam Speaker**, the draft Medium Term National Development Policy (MTNDP), the "**Ghana Shared Growth and Development Agenda**" (GSDA) which will be presented to this House before end of the year, contains comprehensive policies and strategies to address the growth and development challenges facing the country in the medium- to long-term. Under the GSDA, economic growth and investment in the medium term will focus on accelerated agricultural modernization; enhancing the competitiveness of the private sector; developing critical infrastructure, energy and human settlements; developing

oil and gas industry; sustaining natural resource management; increasing human resource development, productivity and employment; and fostering transparent and accountable governance.

87. **Madam Speaker,** the GSDA expects that the implementation of these policy interventions will support the economy to grow at a rate of 12.3 percent in 2011, 9.3 percent in 2012, and 8.3 percent in 2013, taking into account the higher growth potential of the oil and gas sector. The agricultural sector is expected to grow at an annual average rate of 6.1 percent in the medium term and the services sector, by 8.7 percent. The industrial sector is projected to grow at 25.4 percent in 2011 on account of the oil and gas-related infrastructure and increased activities in construction, mining and energy sectors. Growth in the industrial sector will slow down to 14.1 percent in 2012 and 12 percent in 2013.
88. **Madam Speaker,** over the medium term, fiscal policy will be guided by the objective of scaling back the fiscal deficit to 7.5 percent in 2011, 4.7 percent in 2012 and 3.0 percent in 2013. To achieve these fiscal targets, the government will intensify the ongoing reforms in public financial management, improve tax collection, review the import duty exemptions regime, rationalize recurrent expenditures, contain expenditure through public sector pay reform, and address the threat of high debt burden.
89. **Madam Speaker,** monetary policy will continue to pursue the objective of maintaining inflation rate at single digit without compromising on growth and managing the flexible exchange rate regime. To this end, the Bank of Ghana will strengthen its inflation targeting framework and intensify its

engagement with the fiscal authorities to ensure a better coordination between fiscal policy and monetary policy in the medium term. Inflation is projected to reach 8.5 percent in December 2011, dropping to 7.0 percent in fiscal year 2012.

90. **Madam Speaker,** the Central Bank will engage the banks and non-bank financial institutions, borrowers and investors on ways to enhance the interest rate transmission mechanism and getting the existing tight credit conditions relaxed. The key objective here is to improve access to credit in the economy to boost real sector activity.
91. **Madam Speaker,** Ghana's trade policy will continue to aim at enhancing international competitiveness and securing market access. The country envisages a trade-led industrialization and diversification of the export base through the export of oil and gas, selected niche products such as pineapples, mangoes, Shea butter, and palm oil, and also to forge strategic trade partnerships.
92. **Madam Speaker,** we must continue to focus our attention on the non-oil sector of the economy, particularly agriculture, small, medium and micro enterprises, mining and manufacturing sectors, which, hitherto, have been the backbone of the economy.

#### **FISCAL CHALLENGES**

93. **Madam Speaker,** the NDC Government has made significant progress in putting the finances of the government on a sound footing, stabilizing the economy, and laying the foundation for rapid and sustainable economic growth. However, there are a number of fiscal challenges that continue to face the government. These

challenges relate to the rigidity in the budget structure, management of the public sector wage bill, payment arrears, and the perceived benefits from the oil and gas discovery.

### **Rigidity in the Budget Structure**

94. **Madam Speaker**, last year, I mentioned the lack of space for policy shifts in the budget structure. Indeed, the national budget has become very lopsided and a victim of inordinate rigidity caused by the earmarking of a large part of it. A disproportionate portion of the national expenditure is statutorily determined, taking the form of GetFund, NHIS, and District Assembly Common Fund (DACF).
95. **Madam Speaker**, the situation is complicated by the need to meet government contractual obligations such as debt service payments, social security contributions, pensions and gratuities, and wages and salaries of government employees some of which will increase with the implementation of single spine salary structure. When these legal obligations of government are met in the budget, no room is left for any policy maneuver.
96. **Madam Speaker**, in the face of the serious rigidities in the budget because of the statutory transfers and contractual obligations, implementing the Single Spine Salary Structure would result in inadequate resources for funding of social intervention programmes on a sustainable basis.
97. Although, the implementation of this new wage policy is stretched over a period of five years, the wage bill for fiscal year 2011 is estimated at 12 percent of GDP, making it one of the highest in sub-Saharan Africa. Not only that, but also

over 75 percent of the total wage bill and the associated increases resulting from the Single Spine Salary Structure goes to employees in only three MDAs, namely the Education, Health and Local Government, which ironically are the very sectors with the statutory funds that introduce rigidities in the budget structure and leaves no space for the sustainable implementation of the Single Spine Salary Structure.

98. **Madam Speaker**, to ensure that the social intervention programmes of Government are implemented on a sustainable basis consistent with the medium term expenditure framework, distribution formulas for Parliamentary approvals of the DACF, GETFund and the National Health Insurance Fund will be structured to allow for up to 30 percent of such transfers to be used to finance these programmes.

### **Payment Arrears**

99. **Madam Speaker**, payment arrears have been a common feature of the country's fiscal for years, but these have become a serious concern to government in the last two years because of their negative impact on economic growth. Arrears have serious detrimental effect on the economy as they constrain private sector activities, thereby slowing down growth and employment creation. Arrears in transfers to statutory funds undermine the proper functioning of government by delaying the provision of economic infrastructure required to support economic growth and delivery of much needed social services to improve the lives of our people.

100. **Madam Speaker,** government plans to clear all payment arrears in the medium term to improve fiscal credibility, enhance government's standing with its creditors, strengthen the banking system, and create the necessary fiscal space for government to be able to meet its priority developmental goals.
101. The arrears liquidation plan will include the following:-
- Undertaking a comprehensive inventory of arrears as part of the GIFMIS;
  - Auditing and validating the arrears to establish their genuineness;
  - Strictly applying the provisions of the Financial Administration Act and the accompanying Regulations to avoid a further build-up of arrears.
102. **Madam Speaker,** already, the government has taken measures to strengthen commitment controls to ensure that new arrears are not accumulated. The office of the president has issued instructions to all MDAs to obtain Commencement Certificates from the Ministry of Finance and Economic Planning before committing government in for new and on-going projects.

### **Managing Oil and Gas Revenue**

- i. **Madam Speaker,** revenues from oil and gas will surely provide some fiscal space that should help us accelerate economic growth.

- ii. For the first 3 to 4 years, however, the oil revenue will be considerably lower than the non-oil tax and non-tax revenues.
  - iii. For the fiscal year 2011, the expected revenue from oil sales will represent only 6 percent of total domestic revenue.
  - iv. We all, therefore, need to help manage public expectation.
103. A related challenge, **Madam Speaker**, is that, however modest, the prospects of sustained oil revenues in the next two decades raise questions on the future of Overseas Development Assistance in general, and direct budget support in particular.
104. **Madam Speaker**, all of these call for wisdom in planning and managing the oil revenues so that we avoid the pitfalls that have characterized some countries on the discovery of new natural resources.

**RESOURCE MOBILIZATION AND ALLOCATION FOR FISCAL YEAR 2011**

105. **Madam Speaker**, the NDC Government has made significant progress in putting the finances of the government on a sound footing, stabilizing the economy, and laying the foundation for rapid and sustainable economic growth. However, there are a number of challenges that continue to undermine the achievement of our fiscal goals. These challenges include the rather low level of domestic revenue mobilization that often results 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.

106. **In order to mitigate the fiscal risks associated with the challenges outlined earlier, and ensure better implementation of the government's expenditure and social programmes on a sustainable basis, a number of revenue enhancing measures and policies have been proposed for implementation.**

**107. Madam Speaker,** the rebasing of Ghana's National Accounts has further revealed that our tax revenue/GDP ratio is among the lowest in a group of African countries, requiring adjustments in the existing tax rates and, or introducing new taxes to generate more revenue to fund our growth and developmental needs.

### **TAX PROPOSALS FOR 2011 FISCAL YEAR**

108. **Madam Speaker,** the following new initiatives should improve government cash flow:

- **Mining royalties, henceforth, will be paid monthly instead of quarterly;**
- **Deferred payments of VAT will be discontinued, but we will introduce measures to improve the refund system; and**
- **Our practice of allowing importers of finished products, to warehouse them for up to two years before payment of assessed taxes is not consistent with bonded warehousing regime. It imposes cost on the treasury. Henceforth, the**

**bonded warehousing facility will be restricted to only raw materials for manufacturing as originally intended.**

### **Withholding Tax**

109. **Madam Speaker**, the threshold of the 5 percent withholding tax will rise from fifty currency points (GH¢50.00) to five hundred currency points (GH¢500.00). The present exemption from withholding tax for compliant taxpayers on application will continue and will be improved.
110. The current withholding tax of 5 percent applied across board for foreign suppliers of services makes local entrepreneurs who are subject to 25 percent corporate tax plus all other payroll taxes uncompetitive, especially in the supply of services in the extractive sectors of the economy. This defeats our goal to enhance local content particularly in the petroleum sector. The withholding tax on foreign supply of services is hereby increased from 5 percent to 15 percent and shall be treated as final tax.

### **Tax Holidays**

111. **Madam Speaker**, the five years exemption period granted to Companies engaged in the construction for letting or sale of residential premises under Section 11(6) of Act 592 was mainly to create affordable accommodation for the middle to low income earners. Unfortunately, the real estate developers focused on building for the high and upper class of the society while abandoning the original purpose. The government proposes to abolish the general five year tax exemption for real estate developers. However, given government's heavy involvement with the provision of

affordable housing, real estate developers who partner the Ministry of Water Resources, Works and Housing to provide affordable houses will continue to benefit from the five year exemption.

112. **Madam Speaker**, in our continuing effort to make policy evaluation and oversight effective and to improve the institutional coordination in the way we administer exemptions, it has become necessary to recommend to the House to repeal LI 1817 which empowers the Ghana Investment Promotion Council (GIPC) to grant tax exemptions for the hotel and hospitality industry. We will take stock of the relevant incentives, bring them in line, and incorporate those that are desirable into Act 592 to be managed by the Ghana Revenue Authority as was previously the case under the defunct Ghana Investment Centre.
113. **Madam Speaker**, the APEX Bank was granted a 5-year tax holiday for the period 2005-2009. We recognise the role of the APEX Bank in ensuring the proper supervision and effective operation of the rural banking system. As a result, we wish to extend the tax holiday by an additional 5 years to bring its tax holiday to a 10 year period, ending in 2014. We hope this measure will help the APEX bank to improve its capital base, strengthen its credit portfolio to agriculture, and at the same time concentrate on its mandate to service the rural communities.

### **Gift Tax**

114. **Madam Speaker**, Gift Tax moves in tandem with general Income Tax including Capital Gains Tax. Since Capital Gains Tax has been increased from 5 percent to 15percent it is

only proper to do the same for Gift Tax. We propose an increase in gift tax to be in tandem with general income tax.

### **Communication Service Tax (CST)**

115. **Madam Speaker**, the coverage of the Communication Service Tax has been restricted to the class 1A telecom operators. To ensure fairness across the industry, the CST coverage will now be extended to all companies and persons across the industry, in conformity with the existing law.

### **Value Added Tax**

116. **Madam Speaker**, our VAT threshold for goods and services is the lowest in Sub-Saharan Africa and by international standards.
117. In order to improve the efficiency in tax administration following the integration of VAT and IRS, and improve on tax audits of the top tier VAT payers, the VAT threshold will increase from GH¢10,000.00 to GH¢90,000.00 for both goods and services. The VAT taxpayers who fall below the GH¢90,000 threshold will now fall into a new scheme of combined VAT and income tax assessment. The details of the combined assessment will be in the VAT Amendment Bill that I will submit to you in due course.

### **Excise Duty**

118. In order to protect the environment, government proposes a 20 percent environmental tax on plastic packaging materials and products, excluding bottled water which already attracts excise duty. The environmental tax will be charged at the importation and any production or collection points.

119. The change from specific to ad-valorem excise duties on tobacco, alcoholic and non-alcoholic beverages rates have achieved the desired objective. However, we are cognisant of the need to remain competitive and of concerns of industry. As a result, we propose to reduce the ad valorem rate by 2.5 percent on all excisable goods except on spirits and cigarette. In fact, **Madam Speaker**, for health reasons and to better align with international agreements, the excise duty on cigarettes will rise from 140 percent to 150 percent.

### **Vehicle Income Tax Rates (VIT)**

120. **Madam Speaker**, the presumptive taxes for Vehicle Income Tax was last reviewed in 2005. To improve fairness with the payment of personal income tax and other income taxes, we propose an upward revision of presumptive vehicle income tax rates.

121. **Madam Speaker**, this is not a tax on drivers as is erroneously believed. Transport owners have the right to claim the advance tax paid as credit. Let me emphasize that "taxis" and "trotros" are, in line with our social democratic ideals which are pro-people, exempted from the new vehicle income tax rates.

### **Tax Stamp for Informal Sector Operators**

122. **Madam Speaker**, the Tax Stamp was introduced as presumptive tax for the informal sector in 2005. The operators in the sector were classified according to the size and volume of their business activities and a presumed tax levied on quarterly basis. Since 2005 the rates have not been revised to be in line with general movements in price

levels. **Madam Speaker**, we propose to revise the rates and a bill to that effect will be tabled in the House soon.

### **Taxation of Professionals and the Informal Sector**

123. **Madam Speaker**, Ghana has many self-employed professionals earning more than average income. They include accountants, engineers, pharmacists, architects, surveyors, building contractors, medical doctors, lawyers, economists, bankers, insurers, and consultants. Educated with taxpayers money, many of these professionals continue to depend on the complementary resources of the state to operate their businesses. Unfortunately, their contributions to overall income tax revenue has been very low (around 5 percent) compared to other income tax payer.
124. **Madam Speaker**, government wants to encourage voluntary compliance of professionals in the discharge of their tax obligations. Beginning in 2011, government will focus attention on the revenue contribution from the self-employed group with special emphasis on professionals. Government will establish a special desk in the Domestic Tax Division of the Ghana Revenue Authority to monitor compliance of professionals in their tax payments.

### **Mining List**

125. **Madam Speaker**, in consultation with the Mining industry a review of the mining list was done in 2004. In the same spirit government intends to carry out another review in the year 2011 to reflect changes that fairly meet the needs of the industry, tighten exemptions, ensure fairness across industries, while safeguarding revenues.

### **National Fiscal Stabilisation Levy**

**126. Madam Speaker,** the National Fiscal Stabilisation Levy (NSL) was introduced in the second half of 2009 to last for 18 months. In lieu of bringing in additional Profit Tax, government proposes to extend the NFSL for an additional year.

### **Institutions with Tax-Free Status**

127. **Madam Speaker,** some institutions enjoy tax-free status because of the original non-profit motive that established them. However, in recent times, some of these institutions have expanded their scope of operation to include commercial activities, thereby making substantive profits but not paying taxes on them. **Madam Speaker,** government will amend the law to allow the Commissioner-General to tax all commercial activities undertaken by the affected institutions.

### **Personal Income Tax**

128. **Madam Speaker,** Personal Income taxation will continue to be used as a major tool for equitable distribution of income and for the protection of low income earners. To this end, government will revise the income tax threshold and bracket in fiscal year 2011. The revision will also take into account the inflationary impact on wages and salaries. The following tax bands and rates are proposed.

- For the first GH¢1,140 of income, the tax is free;
- For the next GH¢360 the tax rate is 5 percent;
- For the next GH¢840, the tax rate is 10 percent;
- For the next GH¢17,976, the tax rate is 17.5 percent; and
- For income exceeding GH¢20,280, the tax rate is 25 percent.

129. **Madam Speaker**, while the changes in the exempt income tax band and brackets are beneficial to all income earners, they do not address adequately the social burden of families with children, dependent spouses, and dependent relatives. Since 2007, the rates of personal reliefs have remained the same. This discourages taxpayers to file their returns and benefit from the reliefs. **Madam Speaker**, significant improvements have been made in the reliefs for the 2011 year of assessment:-

- For marriage/dependant responsibility the new rate is 100 currency points;
- For old age, the new rate is 100 currency points;
- For child education, the new rate is 100 currency points up to 3 children;
- For aged dependant relative, the new rate is 50 currency points; and
- For training cost, the new relief is 200 currency points.
- Personal relief for the disabled remains at 25 percent of the taxable income. I encourage and urge tax payers to file their returns and get the requisite credit.

### **Energy saving lamps**

130. Under the present tariff code, energy saving compact fluorescent lamps are exempt from all taxes. In furtherance of promoting energy savings and reduction of power consumption, light emitting diode(LED)lamps are being added to the exemption list. Local companies producing

energy saving bulbs will have the same treatment for their primary raw materials.

### **Airport Tax**

131. **Madam Speaker**, the government proposes to increase airport tax from US\$75 to US\$100, US\$150 and US\$200 for economy, business and first class passengers, respectively for international travel; US\$50 to US\$60 for regional travel and GH¢ 1 to GH¢5 for domestic travel.

### **TOR Debt Recovery Levy**

132. **Madam Speaker**, in 2003, a Debt Recovery Fund was established to finance TOR's accumulated debt resulting from under recoveries. A debt recovery levy was imposed on specified petroleum products. The debt burden on TOR, however, remains high and threatens the financial viability of the country's banking system. The government is, therefore, proposing an upward adjustment of the current Debt Recovery levy to retire the TOR debt and reduce its negative effect on the banking system. Consequently, we propose to increase the TOR debt recovery levy on premium and gas oil in the petroleum price build-up formula from GH¢0.02 to GH¢0.08 per litre.

### **Exemptions and Permits**

133. **Madam Speaker**, to address revenue leakages through exemptions, government is developing clear criteria for evaluating parliamentary permits, waivers and granting exemptions with clear sunset clauses. These include exclusion of personal exemptions beyond what the law permits and all import duty exemptions.

134. **Madam Speaker**, in tabling the budget, I announced that all NGOs and charitable organizations must re-apply for tax exempt status on periodic basis with their audited financial statements and a certified record of their activities by the appropriate sector ministry. We want to reiterate government's intent to enforce this policy.
135. **Madam Speaker**, in the 2010 Budget Statement, I alluded to the fact that granting special permits to personnel of health and teaching services on the vehicle imports was for a temporary period. To ensure fairness and equity to all tax payers both in the public and private sectors, this special permit is abolished across board in fiscal year 2011.

### **Bonded Warehousing**

136. **Madam Speaker**, another area of revenue leakages is the bonded warehousing arrangement. Our warehousing and transit regimes allow importers of finished products, including consumables, to warehouse them for up to two years before payment of assessed taxes. This practice is not consistent with bonded warehousing as temporary customs regime, and imposes cost on the treasury. The system amount to government providing interest free loans to this group of importers. Beginning in fiscal year 2011, the bonded warehousing facility will be restricted to only raw materials for manufacturing as originally intended.

### **Property Rates**

137. **Madam Speaker**, in many economies, property taxes contribute substantially to revenue mobilization. In the OECD countries, property taxes average 3 percent of the GDP 0.7 percent for developing and transition countries.

However, in Ghana, property taxes make up only 0.03 percent of Ghana's GDP. Our research showed that whilst Tema Metropolitan Assembly had property tax accounting for 15 percent of total revenue, Sekondi-Takoradi Metropolitan Assembly, Accra Metropolitan Assembly and Kumasi Metropolitan Assembly registered low contributions of 9.7 percent, 8.8 percent and 6.3 percent respectively.

138. **Madam Speaker**, there is huge potential for the Metropolitan Assemblies as well as other Municipal and District Assemblies to improve their revenue mobilization through property taxes and be less dependent on the Common Fund in providing local services and amenities.
139. **Madam Speaker**, payment of property rate is a civic duty. We need those taxes to improve basic local amenities such as sanitation, water and street lights. It is our intent to work with the Ministry of Local Government and Rural Development to strengthen capacity in the administration of property taxes in this country.
140. I wish to notify this House that in the near future government releases to the Assemblies may place more weight on their revenue mobilization efforts as reflected in the DACF formula.

### **Revenue and Grants**

141. **Madam Speaker**, revenues measures I have outlined are expected to impact positively on the total resource envelope for the 2011 budget. Details of the 2011 resource envelope are as follows: -

- Total non-oil revenue and grants is estimated at GH¢10,017.8million, equivalent of 32.1 percent of GDP. The expected non-oil revenue and grants for the year represents a 13.5 percent increase over the projected outturn for 2010.
- Total revenue from oil into the budget is estimated at GH¢584.0 million, equivalent to 1.9 percent of GDP.
- Total oil and non-oil revenue and grants are thus estimated at GH¢10,601.0 million of 34.0 percent of GDP.
- Domestic revenue is estimated at GH¢9,299.5 million, representing 21.5 percent increase over the projected outturn for 2010.
- Tax revenue is estimated at GH¢7,712.5 million representing 24.8percent of GDP. Non-tax revenue is expected to increase by 26.4 percent over the projected outturn in 2010.
- Grants from development partners are estimated to increase to GH¢1,301.6 million, equivalent to 4.2 percent of GDP and accounting for 12.3 percent of total revenue and grants.

### **Expenditure Proposals**

142. **Madam Speaker**, total expenditure for 2011 is estimated at GH¢12,670.8 million, equivalent to 40.7 percent of GDP. Of this amount, recurrent expenditure is estimated at GH¢8,924.9 million, equivalent to 28.6 percent of GDP and 70.4 percent of total expenditure. An amount of

GH¢3,745.9 million, equivalent to 12.0 percent of GDP is estimated for capital expenditure.

143. **Madam Speaker**, personal emoluments (Item 1) is estimated at GH¢3,732.8 million, representing 12.0 percent of GDP, due to the implementation of the Single Spine Salary Structure.
144. Total interest payments for fiscal year 2011 is estimated at GH¢1,831.3 million, equivalent to 5.9 percent of GDP, and 14.5 percent of total expenditure. Of this amount, GH¢459.1 million will be used to pay interest on foreign debt and GH¢1,372.2 for domestic interest payments.
145. An amount of GH¢262.2 million from oil revenue will be transferred to the Ghana National Petroleum Company to fund its investments activities.

### **Financing of the Deficit**

146. **Madam Speaker**, the 2011 budget will result in an overall cash budget deficit of GH¢2.3 billion, equivalent to 7.5 percent of GDP. Net Domestic Financing of the budget is estimated at GH¢1.2 billion and foreign financing is estimated at GH¢1.1 billion.

### **Debt Sustainability Outlook for 2011**

147. **Madam Speaker**, Government is determined to ensure that it receives the best quality of external aid that does not lead to future debt sustainability problems. The key strategy of the new financing plan includes reducing cost by reducing concessional borrowing and monitoring the

external debt indicators in relation to the sustainable thresholds.

148. In order to reduce the cost of domestic debt, Government will continue to exercise fiscal discipline to limit the increase in public sector borrowing requirements. This would reduce domestic interest rates and permit the rolling over of existing debt at lower cost. Lower interest cost will free resources for productive expenditures.

### **KEY PRIORITY INTERVENTIONS**

149. **Madam Speaker,** Government will continue with interventions that are consistent with the medium term objectives of this country as outlined in the GSGDA document and initiate new policies to sustain growth for development and job creation. The interventions will include the measures outlined below:

#### **Priority Spending for 2011**

150. **Madam Speaker,** the role of infrastructure development in accelerating economic growth is very crucial, especially at this stage of the country's development. Indeed the infrastructure deficit in the energy, housing, roads and water sectors undermine the ability of many businesses to produce goods and services in an efficient manner. The Ghanaian economy is expected to grow significantly in the coming years with oil and gas coming on stream. Over the medium term, investment decisions will focus on the following key priority areas that are expected to drive the growth process. The areas are:
- Accelerating agriculture modernization;
  - Developing oil and gas industry;

- Developing critical infrastructure;
- Sustaining natural resource management and environment;
- Enhancing the competitiveness of the private sector; and
- Human resource development.

151. **Madam Speaker**, the 2011 budget will ensure significant investment in the areas of agriculture, rail transport, roads and highways, energy and housing in pursuit of government growth strategy. This will be complemented by investment in the social sector to improve the living standards of Ghanaians in general and the poor in particular. Specifically, there will be major interventions in the education, health and water sectors. These ministries will be provided with adequate domestic and foreign resources to implement the growth oriented programmes for job creation as indicated in **Table 19**:

**Table 1: Allocation for Growth Oriented Programmes**

	Growth Oriented Programme	GOG	IGF	Social Intervention Programme	Donor	Total
	<b>Economic</b>	<b>91,929,287</b>	<b>26,956,050</b>	<b>55,138,410</b>	<b>535,625,549</b>	<b>709,649,295</b>
1	Food and Agriculture	78,349,789	5,890,390	19,938,410	117,371,999	221,550,587
2	Energy	4,289,022	-	30,000,000	371,206,550	405,495,572
3	Private Sector	9,290,476	21,065,660	5,200,000	47,047,000	82,603,136
	<b>Infrastructure</b>	<b>114,252,650</b>	<b>34,641,975</b>	<b>20,938,410</b>	<b>742,926,953</b>	<b>912,759,988</b>
4	Water Resources, Works and Housing	16,618,212	1,165,840	10,938,410	529,903,428	558,625,890
5	Roads, Highway and Transport	97,634,438	33,476,135	10,000,000	213,023,525	354,134,098
	<b>Social</b>	<b>1,884,373,268</b>	<b>670,660,392</b>	<b>107,876,820</b>	<b>307,782,475</b>	<b>2,970,692,955</b>
6	Education	1,477,730,827	314,252,860	102,938,410	88,295,350	1,983,217,447
7	Health	406,642,440	356,407,532	4,938,410	219,487,125	987,475,507
	<b>Total</b>	<b>2,090,555,204</b>	<b>732,258,417</b>	<b>183,953,640</b>	<b>1,586,334,976</b>	<b>4,593,102,238</b>

152. **Madam Speaker**, as a commitment to these priority areas, Food and Agriculture has been allocated GH ₵ 221.6 million for major interventions in food security, agriculture modernization and productivity. The energy, water resources, works and housing will receive GH₵ 405.5 million and GH₵ 558.6 million respectively for electrification, housing, potable water and other critical areas to accelerate growth. The roads, highway and transport has been allocated GH ₵ 354.1 million for road construction in various parts of the country. Under the social sector infrastructure, education and health have both been allocated an amount of GH₵ 2.9 billion.
153. In addition, Madam Speaker, the MiDA projects in the areas of Agriculture, Transportation and Rural Development programmes under an integrated agricultural development approach in 2011 will amount to GH ₵ 354.8 million.

### **Disbursement of project loans and grants**

154. **Madam Speaker**, our development partners have significantly improved on the predictability of their direct budget support to the government. Unfortunately, a large part of the financial resources provided by development partners remain unutilized.
155. The slow disbursements of funds are as a result of the following'
- Inadequate matching funds for projects;
  - Difficulty in project design;
  - Non adherence to disbursement procedures;
  - Poor management and supervision of projects; and

- Ineffective reporting systems.
156. **Madam Speaker**, to address the slow disbursement of project loans and grants steps have been taken to ensure a high disbursement rate of donor funds especially in the 2011 priority areas. These include the provision of adequate counterpart funds for the project loans and grants. In addition, project management and procurement guidelines and training will be provided for all staff managing projects with support from our development partners.
157. Efforts will be made to improve on effective monitoring of projects through the development of a comprehensive monitoring and evaluation plan and schedule to guide project implementation. This will be complemented with quarterly projects meetings of sector ministries, development partners and Ministry of Finance and Economic Planning
158. **Madam Speaker**, the US\$547 million **Millennium Challenge Account** Ghana programme, will be nearing completion by the end of 2011. Grant disbursement under the scheme to support Agriculture, Transportation and Rural Development programmes in 2011 will amount to GH 354.8 million.

### **Agriculture**

159. **Madam Speaker**, the agriculture sector is the second largest contributor to the country GDP, yet it is characterized by low productivity and limited competitiveness. This is because the sector is dominated by subsistence and small holder production units applying mostly basic and low level technology.

160. **Madam Speaker**, in the 2011 fiscal year, government will address the challenges by accelerating the modernization and development of agriculture. To raise productivity and increase production, agricultural mechanization will be accelerated through the establishment of Agricultural Mechanization and Service Centres (AMSEC). Government will also support the private sector to build capacity in the local production and/or assemble of appropriate and affordable agricultural machinery, tools, and other equipment. The machinery hire purchase and lease schemes with backup spare parts for all machinery and equipment would be facilitated to improve farmers' access to appropriate farming equipment and machinery. Support will also be given to the private sector to produce and use small-scale multi-purpose machinery and equipment, including farm level storage facilities, appropriate agro-processing machinery/equipment. The intermediate means of transport (IMTs) will also be fully implemented.
161. Other key projects and programs to be implemented in the sector, **Madam Speaker**, include the following: the inland valley rice development project, Afram plains district agricultural development project, export marketing and quality awareness project, northern rural growth programme, promotion of perennial crops (rubber and oil palm), rice sector support project, out-grower value chain fund project phase 1. In addition, the block farming project, youth in agriculture, and the fertilizer subsidy program will all continue.

### **Cocoa Sub-Sector**

162. **Madam Speaker,** Government will continue to implement policy measures to enable the cocoa sub-sector contribute significantly to the growth of agricultural GDP. The following interventions will take place in the cocoa sub-sector in the 2011 fiscal year.

- An amount of GH¢104.4 million will be spent on the Cocoa Diseases and Pest Control Program (CODAPEC) to mitigate the risks associated with the incidence of diseases and pests that attack cocoa. COCOBOD will spend GH¢10.2 million to intensify the treatment and control of cocoa swollen shoot virus diseases.
- The fertilizer subsidy policy will be harmonized between the Ministry of Food and Agriculture and COCOBOD during the year. An amount of GH¢140.5 million has been set aside for the Cocoa Hitech Program which will ensure that appropriate cocoa fertilizers are available at the right time for use by farmers.
- The Special Housing Scheme for cocoa farmers will be supported with an amount of GH¢868,000.
- The rehabilitation and tarring of selected roads in the major cocoa growing areas will continue in 2011. For the 2009/2010 cocoa crop year, an amount of GH¢20 million has been set aside to complete roads under the Cocoa Roads Improvement Project (CRIP)
- The Cocoa Farmers Pension Scheme will commence in 2011 with an initial capital of GH¢9.3 million.

163. **Madam Speaker,** the following interventions will be undertaken by the Millennium Development Authority (MIDA) as part of the Agriculture Commercialization Project.

- Disbursement of GH4 million under the Agriculture Credit to train farmer-based organisations;
- Completion of 14 agribusiness/buying centres;
- Completion of 3 communal pack houses in Mariakrom (Akwapim South), Otwekrom (Gomoa West) and Akorley (YiloKrobo);
- Complete the construction of perishable cargo centre at the Kotoka International Airport;
- Construct 3,000 hectares irrigation schemes in Botanga, Golinga, Dadeso, Amate, Kpong Left Bank and;
- Extend the pilot land titling activity in Northern and Afram Basin zones (including land title offices)

### **Roads and Highway Infrastructure**

164. **Madam Speaker**, government will continue to improve access and mobility in the road network to reduce traveling and vehicle operating cost associated with bad roads, prioritize the maintenance of the existing road infrastructure to reduce vehicle operating costs and future rehabilitation costs will be prioritized; improve accessibility by determining key centers of population, production and tourism; re-introduce labor-based methods of road construction and maintenance to improve rural roads and maximize employment opportunities.
165. **Madam Speaker**, the implementation of the following key projects will continue: Nsawam-Apadwa road project

(Nsawam by-pass including bridges), Awoshie-Pokuase road, Tema-Aflao road development project (Lot1-Akatsi-Abgozome, Lot2-Abgozome-Aflao section & Akatsi bypass, Akatsi-Akanu road rehabilitation project (Lot1-Akatsi-Dzodze, Lot2-Dzodze-Akanu & overlay for Akatsi-Dzodze, Techiman-Kintampo (Techiman-Apaso, Lot2 Apaaso-Kintampo), Ghana Urban Transport Project & Transit facilitation and Transport Sector Development Programme.

166. **Madam Speaker**, government will also consider entering into pre-financing arrangements with financial institution and contractors to raise funds to complete such key projects like the Achimota-Ofankor, Tetteh Quashie- Madina, Nsawam-Apedwa by-pass. Efforts will also be made to build the capacity of local road contractors, ensure their proper classification and use, and develop the institutional and regulatory arrangements to support effective and efficient movement of freight and passengers.
167. **Madam Speaker**, the following road construction projects will also be completed in fiscal year 2011.
- 346 kilometers of feeder roads in the Northern, Central, Eastern and Volta Regions to link food growing areas to the marketing centers;
  - 75 kilometers Agogo to Dome trunk road in the Ashanti Region;
  - 14 kilometers of the N1 Highway - Tetteh Quarshie to Mallam Junction - into a three-lane dual carriage way, including two interchanges at Dimples Inn and Mallam Junction.

### **Ministry of Energy**

168. **Madam Speaker**, in the 2011 fiscal year, efforts will be geared at increasing access of households and industry to reliable and adequate energy supply and the diversification of the national energy mix to include the use of indigenous sources of energy. This will be achieved through the rehabilitation and expansion of energy infrastructure. Specific interventions will also be undertaken to increase access to modern forms of energy to the poor and vulnerable through the extension of the national grid to poor communities.
169. **Madam Speaker**, specific projects and programs to be implemented in the year include the following: Bui Hydroelectric Power Project, Ghana Energy Development and Access Project, Ghana–Togo Benin 330kv Power interconnection project, Power systems reinforcement project, West African Power Pool (Phases 1&2), 30kv Aboadzi-Volta transmission line project and major activities in oil and gas.

### **Transport**

170. **Madam Speaker**, Ghana's existing rail network is confined mostly to the southern part of the country which is economically more advanced and has a higher population density. Nonetheless, the current rail network is characterized by old tracks and rotten coaches, and inadequate railway terminals, stations and platforms.
171. **Madam Speaker**, Government will source funds to rehabilitate and/or totally re-build and modernize the rail sector.

172. **Madam Speaker**, the recently commissioned Accra-Tema railway line will be extended from the Tema harbour area to Tema Community 1 to improve the suburban railway system. The rehabilitation of the Western line, which commenced in 2009, will be continued to facilitate freight movement in the region.
173. **Madam Speaker**, funds will also be made available to the Ministry of Transport to support the supply of 150 VDL buses for the Metro Mass Transport Limited and the Rural Transport Program to improve inter/intra city movement of people and goods.
174. **Madam Speaker**, the Millennium Development Authority will undertake the following projects to support the efforts of the Ministry of Transport:
- Launching of two (2) new RoRo Ferries for the Volta Lake Transport Company at Adawso and Ekye Amanfrom
  - Completion of Ferry Terminal / Landing Stages
  - Removal of Tree Stumps in Volta Lake (5kms)

### **Ministry of Water Resources Works and Housing**

175. **Madam Speaker**, government will enhance access to housing by commencing the construction of 200,000 affordable housing units in selected cities and towns across the country for which government has entered into the loan agreement with STX Company. In addition, arrangement with private sector to raise funds to complete the affordable housing schemes which were started by the previous government will unfold during the year.

176. **Madam Speaker,** implementation of the following water projects will commence in fiscal year 2011: urban water project, rural water and sanitation project, Kpone water project, Kumawu, Konongo and Kwahu water supply and expansion projects, and Wa water supply and rehabilitation project. It is hoped that the implementation of these projects will increase access to potable water, reduce the incidence of water borne diseases, and improve sanitation in the beneficiary communities.

### **Education**

177. **Madam Speaker,** government will continue to improve enrolment, retention and quality of education at all levels of education through continued provision of free uniforms for children in basic schools in deprived communities. In addition, government will continue with its social interventions program of providing capitation grant, free exercise books and school subsidies as well as the school feeding scheme.
178. **Madam Speaker,** to further expand and improve educational infrastructure, government will join hands with the District Assemblies and other non-state actors to providing infrastructural facilities for pre-school education, primary, junior and senior high schools. Furthermore, government will continue with the program of upgrading basic school infrastructure, especially schools under trees throughout the country. Government will also abolish all extra school fees and the shift system in junior high schools.
179. **Madam Speaker,** to achieve MDG Gender Parity Index of 1:1 Government will provide support to needy girls as well

as engaging in enrolment drive activities in collaboration with District Assemblies.

180. **Madam Speaker,** government will continue with the process of establishing two more public universities, one each at Ho and Sunyani to broaden access to tertiary education.
181. **Madam Speaker,** to promote the use of ICT in basic and senior high schools, the Ministry of Education has entered into partnership with the China Communication Services Corporation Limited to provide ICT equipment and related software for Basic and Senior High Schools nation-wide

### **Health**

182. **Madam Speaker,** government will continue to concentrate on improving health outcomes by directing resources towards the health of women, neonates, infants and children as well the prevention and control of communicable and non-communicable disease.
183. **Madam Speaker,** in fiscal year 2011, the following interventions will be made in the health sector:-
- National Child Health Policy and strategy to increase access to Maternal, Newborn and Child Health services (MNCH);
  - Implement the adolescent health policy
  - Develop measures to ensure safe blood product transfusion;

- Strengthen surveillance, reporting and emergency response systems for the prevention and control of communicable & non-communicable disease.
  - Improve case detection and management at health facility level
  - Scale up the vector control strategy.
184. **Madams Speaker,** about 100 uncompleted and abandoned CHPS compounds will be completed, while an additional 30 will be constructed and equipped.
185. **Madam Speaker,** the National Health Insurance Scheme will continue to provide financial risk protection against the cost of basic/standard quality health care for all residents in Ghana.
186. **Madam Speaker,** the following key projects will be undertaken in the 2011 fiscal year.
- Rehabilitation of Winneba District Hospital;
  - Nutrition and malaria control for child survival
  - Guinea worm eradication through water supply, sanitation and hygiene in the Northern region
  - Construction works on District Hospitals at Tarkwa and Bekwai
  - Refurbishment of the Tamale Teaching Hospital;
  - Expansion of radiotherapy and nuclear medicine centre at Korlebu Teaching Hospital and KomfoAnokye Teaching Hospital;

- Construction of three regional hospital with staff housing at Wa and Kumasi,
- construction of seven District Hospitals at Adenta/Madina, Twifo-Praso, Konongo-Odumase, Nkawkaw, Atibie, Tewa and Salaga;
- Construction of Blood Transfusion Centres at the teaching hospitals in Kumasi and Accra; and
- Continuation of the Bolgatanga regional hospitals rehabilitation project, Phase III.
- Construction of 5 polyclinics in Upper West, at Lambusie, Babile/Brifo, Ko, Wechau, and Han

### **Trade and Industry**

187. The Government will continue to work with the various stakeholders to support the small and medium enterprise sector, private sector development, industrial development and overall economic growth and job creation.

### **Industrial Policy**

188. The government has approved a new Industrial Policy for the country, which focuses on Industrial Production and Distribution, technology and Innovation, The Support Program will be operationalized to drive the implementation of the Industrial Policy.
189. Further to support industrial Development and Local Industry the Government will work on comprehensive Industrial Development and Competiveness Legislation for the development of local industries through the promotion of domestic content both in terms of human and material resources, and the transfer of technology.

190. The Government will begin work on the development of a Commodity Exchange to connect the buyers and sellers of locally grown agricultural commodities in an efficient, reliable and transparent manner by making use of innovation, technology and learning from International best practiced from the African Continent and beyond.
191. The Government will begin development of an Industrial salt Estate at Kata in the Volta Region to promote large-scale commercial salt development. This will be in addition to ongoing SME salt development activities that are ongoing with UNICEF and the Global Alliance for Improved nutrition.

**MSME Development**

192. The Government will establish an SME Database to provide up to date information on the operations and activities of SME's in various parts of the country. This is with a view to providing information and developing relevant support services to the SMS Sector. The Government will also commence the implementation of its program to rehabilitate and strengthen six craft village across the country.
193. The Ghana Standards Board will tighten inspection regime for the inspection of high-risk imported goods to reduce the dumping of substandard goods within the country.
194. The National Board for Small Scale Industries will organize 2000 tailor made entrepreneurial and technical improvement programs for 60,000 entrepreneurs. It will also support 1,800 MSE's to improve the packaging and quality of their products. It will establish 10 new Business Advisory Centres in 10 Districts to support MSE development.

## **POLICY INITIATIVES**

### **Water for All**

195. **Madam Speaker**, good water is a basic human need and a requirement for the sustenance of life. Unfortunately, many of our compatriots have to live without potable water. In most of our rural communities, citizens have to depend on streams and rivers as their source of water. **Madam Speaker**, government will provide safe and portable water to the citizenry to reduce the incidence of health related water borne diseases government will provide 20,000 boreholes across the country over the next five years starting 2011 fiscal year.

### **Addressing Endemic Poverty (Savannah Accelerated Development Authority and Central Region Development Commission –CEDECOM)**

196. **Madam Speaker**, in fulfillment of Government's pledge to address the unacceptably high incidence of poverty in the northern Savannah regions and in the Central Region, the two institutions will be supported to facilitate and implement major poverty reducing programmes.
197. In that regard, adequate provision has been made for SADA to implement their programmes for the 2011 fiscal year.
198. For CEDECOM budgetary provision has made for the implementation of initiatives in the areas of tourism development, agribusiness, salt production and human resource development to create jobs and facilitate business in the region.

### Protecting the Non-Oil Sector

199. **Madam Speaker**, the recent rebasing of the country's national accounts provides data on the growth poles of the economy to guide policy analysis and decision making. It is evident from the rebased data that the traditional sectors of agriculture and manufacture have lost out to the service sector in terms of contribution to GDP.
  
200. Based on rebased data, growth rates recorded in the Agriculture, Industry and Service Sector were – **1.7 per cent, 6.1 percent** and **7.7 per cent** respectively in 2007. Provisional figures for 2010 show agriculture and Industrial growth of **4.8 per cent** and **6.0 per cent** respectively compared to **8.2 per cent** growth in the service sector.
  
201. **Madam Speaker**, Government recognizes the immense contribution of the non-oil sector towards the growth and development of this country. Measures will be put in place to ensure the continuous sustenance of the non-oil sector in order that it does not play second fiddle to the oil sector as has happened in some oil producing countries.
  
202. **Madam Speaker**, the 2011 budget would seek to address this by specific interventions in the agriculture and the manufacturing sectors to revamp their lead in the growth agenda. The private sector would be supported in diverse ways in the effort of increasing industrial production and output that would create jobs.
  
203. Designing and implementing policies and strategies to modernize the agricultural sector and at the same time targeting the development of the industrial and services sectors to increase their contribution to GDP will therefore be top priority of government.

204. **Madam Speaker,** Government's agriculture development strategy is based on the knowledge that agriculture has significant potential to grow beyond the levels experienced in recent years. Specific interventions in the agric sector to ensure growth in output and the elimination of income variability will include the following:

- Accelerating the use of mechanization;
- Establishing district centres for agriculture advisory services;
- Improving the application of modern science and technology;
- Promoting the development of appropriate irrigation schemes; and
- Providing agriculture financing through the establishment of Agricultural Development Fund.

205. **Madam Speaker,** the private sector will also be assisted to become globally competitive in support of government's growth and development agenda. In this respect, government will ensure the creation of a diversified, innovative and fully integrated industrial sector with the active participation of the private sector. Government expects the oil and gas sector to impact significantly on economic activities over the medium term to achieve the right synergies for job creation. In this connection, the Public-Private Partnership (PPP) option in the implementation of mega projects in the construction,

transport, manufacturing and service provision sectors will be explored.

206. The issue of high economic and non-economic cost of doing business will be tackled in consultation with other stakeholders and government will continue to promote public-private partnership to accelerate the development and implementation of policies.

### **Automation and Modernization Programme Of The National Lottery Authority**

207. **Madam Speaker,** as part of its automation and modernization programme, the National Lottery Authority will deploy ten thousand (10,000) points of sales terminals during the year. This will create at least 10,000 jobs for new lotto marketing companies, and facilitate the participation of the remaining banker to banker and former private lotto operators in the lotto marketing business as defined under the lottery Act 722. New products will be introduced and commissions restructured to increase NLA's contribution to the treasury.

### **Private Sector Competitiveness.**

208. The Government of Ghana (GoG) has developed a new Medium Term Development Plan to replace the Growth and Poverty Reduction Strategy (GPRS II covering 2006-2009), which like the previous strategies, is expected to prioritize growth as the way of reducing poverty. The design and development of Ghana's Medium Term Private Sector Development Strategy Phase II, has been designed with the theme: 'A thriving private sector – Job creation and enhanced livelihood for all'. This initiative has three main strategic objectives:

- **To improve the investment climate;**
- **To transform the economy from a factor driven economy with a competitive, efficiency driven economy;**
- **To provide greater incentives for creating formal jobs and improving livelihoods.**

209. To achieve these three objectives, the government is committed to creating an environment which broaden investment and encourage greater enterprise development and innovation. Government also will create a more supportive basis for transforming the economy by increasing productivity, especially in the small and medium enterprise sector and will provide greater incentives for creating formal jobs. Finally, the Government will work towards increasing economic opportunities for the poor especially in underdeveloped regions.

210. To achieve these two objectives, Government is committed to creating an environment that is conducive for the private sector to expand and create jobs.

211. **Madam Speaker**, challenges still remain, but Government is committed to making improvements in the areas of:

- Starting a business;
- Dealing with licenses;
- Increasing Job creation;
- Registering property;
- Access to credit;
- Payment of taxes; and
- Contract Enforcement.

212. **Madam Speaker,** Ghana's regulatory system has been characterized by unclear divisions of regulatory responsibilities between agencies, duplication in functions, and lack of clarity in the roles and powers of the agencies among others.
213. To address these challenges, Government will undertake the following specific actions:
- Design a transparent, simplified and client-friendly business application process that covers divergent and cross-cutting issues for small, medium and large enterprises.
  - Provide support to develop and strengthen public-private dialogue.
  - Ensure the continual implementation of an outreach and capacity building programme to raise awareness among potential private sector players.
214. **Madam Speaker,** as part of government's continuous commitment to support the private sector, a well coordinated reform initiative within the framework of Public Private Partnership (PPP) has begun. The PPP policy document has been finalized and will be submitted to cabinet for approval. In this regard projects such as the Alstom Power Plant in the energy sector, the Takoradi and Tema Port expansion and the Accra Kumasi Toll road will be undertaken within the PPP framework.
215. **Madam Speaker,** we wish to assure Ghanaians and the international community that we will not be complacent but rather maintain the pace of reforms that have brought us this far.

### **Affordable Housing Using Local Raw Material**

216. **Madam Speaker,** housing is recognized as one of the important infrastructural development necessary for the economic growth of this nation. Ghana faces an acute housing deficit of one million units especially in the urban centres. The cost of housing and other infrastructural development is excessively high as most of the materials used are imported. However, there exist abundant raw materials which can be used in the construction industry to reduce import content in the construction industry.
217. **Madam Speaker,** government is seeking to ensure that by the year 2015 at least 60 per cent of materials used in the building and construction industry will be indigenous raw materials. A housing policy programme on the utilization of local building materials such as clay brick and tiles, pozzolana cement, bamboo etc. in the construction industry has already been prepared on the initiative of government.
218. It is anticipated that the increased use of these durable local materials will considerably reduce the import bill on building materials in addition to the following:
- conserving capital;
  - providing employment for the youth especially within the localities;
  - providing affordable housing;
  - improving engineering qualities;
  - generating revenues to the state; and

- improving infrastructural development especially in districts where indigenous building material plants will be located.

### **Monetization of Government Interests in Mining**

219. Currently, Ghana has shares and carried interests in a number of mining companies that enable government to receive significant cash flows from royalties and dividends. The current increases in gold prices, increased demand for gold exposure by investors, and the appreciation in the equity interests in the gold mining companies present a unique opportunity for the government to consider the monetization of all or portion of its gold interests to deliver a significant capital sum to support the nation's growth and development.
220. Beginning in fiscal year 2011 therefore, government will commence discussions on the establishment of a national vehicle, the 'Ghana Gold Company (GGC)', which will hold the country's gold royalties and equity interest. The GGC will be a newly incorporated company that will be 100 percent owned by the government and into which the government will transfer its gold and equity interests.
221. The benefits to government of having such a company are several, including the following:
- delivery of significant capital sum to the government, raised from private markets;
  - innovative way to capitalize on the market premium for royalties;

- provides government with continued exposure to capital appreciation of a national company, together with ongoing dividends;
- availability of capital raising options to government, including trade sale, stock market listing, gold-linked bond issue, etc;
- existence of a national vehicle that can raise further capital from future royalties and/or other assets.

### **Pension Scheme for the Informal Sector**

222. **Madam Speaker**, H.E. the President, Prof. J.E. Atta Mills launched the new pension scheme on 16<sup>th</sup> September, 2009. Following the passage of the National Pension Act, 2008 (Act 766), the National Pensions Regulatory Authority has been established to oversee the administration and management of the new three-tier pension scheme.
223. Implementation of the new scheme started in January 2010 with the mandatory first and second tier schemes, followed by the voluntary third tier which commenced on 1<sup>st</sup> May 2010. The Pensions Regulatory Authority has issued provisional registration to a number of employer sponsored provident fund schemes and group pension scheme for the informal sector.
224. **Madam Speaker**, it is important to note that provision has been made in the third-tier voluntary personal pension scheme to cater for the peculiar needs of workers in the informal sector who are about 85 percent of the working population.

225. Informal sector contributors will have two accounts, a retirement account (to provide benefits on retirement) and a personal savings account with rules for withdrawals before retirement. What this means is that workers in the informal sector can now participate in a pension scheme which will take care of them in their old age and just like counterparts in the formal sector, will also receive monthly pensions as well as a lump sum.

### **Social safety nets**

226. The most vulnerable groups are supported through a number of programmes, including the capitation grant (financial support for school fees), school feeding, fertilizer subsidies for small-scale farmers, NHIS and reduced electricity tariffs for lifeline consumers. In updating the government's poverty reduction strategy for the medium term, the government reviewed the complementarity and effectiveness of the various social safety nets. At the same time, the government has worked with key stakeholders to review the current classification of poverty-reducing expenditure, and will ensure that the support focuses on the key programmes.

### **Public Safety and Security**

227. **Madam Speaker**, the safety and security of all Ghanaians is a major pre-occupation of the NDC Government. Despite the emerging challenges in sophisticated crimes, our security agencies are ready to maintain peace and order for all Ghanaians.

228. In this regard, Government is committed to provide the necessary support and logistics for our security agencies. For the 2011 budget, major housing projects and other interventions will be pursued with the objective of ensuring a reduction in crime levels and the maintenance of stability in all parts of the country.

### **Programme of Persons with Disability**

229. The share of the Common Fund for person with disability is to be increased from the current 2 percent to 3 percent in line with the social democratic tenets of the NDC of supporting the disadvantaged. District Assemblies are to ensure speedy releases of the funds to support the programme of persons with disability.

### **Electricity sector**

230. Following finalization of a study of the operations of the electricity sector, government adopted a comprehensive financial restructuring and recovery plan for the sector. The key elements of this plan are: (i) an upward adjustment in electricity tariffs; (ii) implementation of actions to strengthen revenue collection by the electricity sector public utilities; and (iii) adoption of a plan to restructure the balance sheets of the utilities by the end of 2011. Going forward, tariffs will be subject to quarterly reviews to ensure continued cost recovery. However, Government will continue to make provision in the Budget to provide subsidies to support life-line consumers of electricity.

### **Supporting Poultry Farming**

231. **Madam Speaker**, last year, Government promised to assist poultry farmers to acquire equipment, chicken feed, chemicals and other inputs to enable them undertake large

scale production of poultry in the country. Government also promised to levy duties to cut down on imports of poultry and fish into the country and to support local production.

232. During the year, government engaged the Poultry Farmers Association on how to increase local production to the level where domestic demand can be met in fiscal year 2010. Government found that the major constraints to large-scale poultry production in the country are lack of credit, equipment, and poultry feed.
233. To support poultry farmers to increase local production of chicken and eggs, a significant portion of the Japanese grant and other grants will be made available to poultry farmers to be used to acquire the necessary equipment and chemicals for the industry. Government also believes that the huge production of maize in recent times should support local production of poultry feed in the country. Discussions are also underway with some foreign investors on the production of poultry feed in the country. Once the discussions are concluded and production commences, the problem of lack of poultry feed will become a thing of the past.

### **Public Debt Management**

234. **Madam Speaker**, while grant financing and concessional loan financing will constitute the core component of external support in the near future, non-concessional financing will be used for projects contracted or guaranteed by the government where there is no scope for concessional or grant financing, the impact on debt sustainability is manageable, and project evaluations show a high rate of social or economic return.

235. A number of reforms are being introduced to further strengthen debt management. These include:

- the adoption of an explicit debt management strategy, establishing clear objectives for debt management in terms of the cost and risk of the debt portfolio, and identifying potential funding sources and consideration for probable changes in the relevant legislation in the face of the possible use of new financial instruments;
- close monitoring of all public sector external debt contracts by the Ministry of Finance's Debt Management Division; and
- the adoption of clearly defined framework for appraising Public investment projects being considered for non-concessional external loan financing, their benefits and prioritization across projects, to ensure consistency with the government's developmental priorities. Guidelines laying out this process will be developed by the Ministry of Finance and submitted to Cabinet for approval.

### **Public Private Partnership**

236. **Madam Speaker,** the Government is committed to improving public investment management through a framework that facilitates public and private investment in the delivery of infrastructure and public service projects. In this regard, the Ministry of Finance & Economic Planning has established a Public Investment Division (PID) which will be the central organ within Government to provide strategic guidance to: (1) national investment and project development;(2) project appraisal;(3) project screening, selection and budgeting;(4) project implementation;(5)

project adjustment; and (6) project evaluation and monitoring.

237. **Madam Speaker**, the establishment of the PID reflects an assurance of efficiency in public investment decisions to boost investment in public infrastructure and services that contribute to improvements in human capital.
238. **Madam Speaker**, in line with Government's policy in accelerating infrastructure modernization a Public-Private Partnership arrangement has been concluded for the Construction of a Fly-Over and Vehicular Interchange over the Accra-Tema Motorway at Teshie Link. This aims at reducing congestion, reducing travel time and facilitating the movement of goods and people within the Accra-East Corridor.

### **SME DEVELOPMENT**

239. **Madam Speaker**, Growth and Employment in Ghana, are directly linked to the growth of SMSE's. Most businesses in Ghana fall within the category of Micro, Small and Medium Enterprises, with an employment capacity of close to 70 percent of the Ghanaian labour force.
240. SME's thus have significant contribution to make to Ghana's socio-economic development and growth, and the attainment of its middle income status.
241. Despite these benefit, the tremendous potential of small and Medium Enterprises are yet to be realized, due to the challenges confronting the sector – which has led to the shifting of focus from entrepreneurship to a proliferation of petty trading nationwide.

242. **Madam Speaker,** Government has put in measures to remove bottlenecks constraining MSME's development.

243. These measures include:

- The Government through the Ministry of Trade and Industry under the (Private Sector Development Strategy stage II) will strengthen SME Support institutions such as NBSSI, GEPC, EMPRETEC and NGO's working in the area of entrepreneurship and enterprise development;
- Collaboration with and strengthening of SME's business associations, through consultations and dialogue;
- Provision of vital information to SME's to facilitate effective linkages and networking among SME's and between SME's and Large Scale Enterprises;
- Entrepreneurial Skills Development through Harmonization and Coordination of entrepreneurial programmes and activities of various training agencies, so as to enhance the managerial, technical and other competencies of SME operations.

### **AGRO-PROCESSING**

244. **Madam Speaker,** Government intends to boost commercial agriculture by engaging the private sector through the Public Private Partnership framework in agro processing. The Public Investment Division of the Ministry of Finance and Economic Planning has been tasked to work with the Ministry of Food and Agriculture to consider proposals from private sector organisations in developing

large scale commercial farms in rice, maize and soya bean cultivation and processing among others with the expertise from South Africa using state of the art technology. With the help of the South African expertise, large feed processing mills will be established as part of the agro processing to feed the poultry industry. This agricultural development programme will help in: -

- **Sustaining the country's food security and also meet needs of the School Feeding Programme;**
- **Stimulation of domestic economic activity particularly in the agro-processing sector; and**
- **Contributing to the millennium development goal of required healthy levels of animal protein consumption by the year 2015.**

### **China Framework Agreements**

245. In pursuit of the NDC Government's Manifesto commitment to invest in the nation's infrastructure as an anchor for accelerated economic transformation, His Excellency the President in September, this year, led a high powered team to the People's Republic of China and signed agreements totaling some 13 billion dollars.
246. The two agreements signed with the China Development Bank and the China Exim Bank respectively, will when crystalized, see a massive investment that will bring about an unprecedented transformation of the nation's infrastructure in the areas of road, rail, energy, water, education, etc.
247. In the course of 2011, as the financing terms of the projects covered by these two framework agreements reach their

final stages, specific loan agreements will be brought before Parliament to seek approval to pave way for the accessing of these pivotal resources to accelerate the pace of the nation's infrastructural transformation.

## CONCLUSION

248. **Madam Speaker**, the budget I have tabled before this august House gives further impetus to the government's commitment to create a "**Better Ghana**" for all.
249. **Madam Speaker**, the NDC Government has done a lot in the two years that it has been in office to restore macroeconomic stability and put the economy on a path of rapid and sustainable growth. Inflation has been reduced to a single digit; interest rates are on a declining trend; the twin deficits of fiscal and current account have been reduced to acceptable levels; foreign reserves have increased significantly, which together have stabilized the value of the Cedi. These are by no means a small feat in a period of two years.
250. **Madam Speaker**, the theme for this year's budget, "**Stimulating Growth and Development for Job Creation**", is indeed appropriate. The 2011 budget puts Ghana on the right path to achieving accelerated economic growth and prosperity in an environment of stability. Indeed, the economy will grow rapidly in the coming years, supported by the scaling up of the disbursement of project loans and grants and utilizing the new opportunities for higher growth that may accompany the downstream activities of the oil and gas industry.
251. **Madam Speaker**, significant resources have been deployed to modernize agriculture, boost manufacturing,

provide critical infrastructure, improve the delivery of water, sanitation and electricity services, support the private sector to grow and become more competitive, and develop our human resource capability. Government is also ensuring that the appropriate structural and institutional reforms take place so that the mixture of agriculture, manufacturing, mining, oil and gas provide a modern, dynamic and diversified economy.

252. **Madam Speaker,** government has also kept its commitment to implementing the single spine salary structure which was introduced by the previous government. The government is implementing the policy despite the obvious risks and challenges it poses to fiscal management in the country because of the positive impact it has on welfare and living conditions of employees in the public sector. This is a demonstration to the people of Ghana that, even in the face of serious resource constraints, the welfare of the people cannot be compromised by the government.
253. **Madam Speaker,** the proposals I have tabled before the House today seek to grow the Ghanaian economy on a sustainable basis; create jobs to reduce unemployment; improve household and business incomes to broaden the base of wealth creation; and improve the delivery of social services, including healthcare and access to quality education, to improve the quality of life of the people of Ghana.
254. **Madam Speaker,** the year 2011 must see Ghana perpetuate hope in its people. I will like to assure my fellow Ghanaians that the government of the NDC has placed the economy of this country on the path of sustainable growth

and development, prosperity, stability and peace for the benefit of all.

255. **Madam Speaker**, I beg to move.