



REPUBLIC OF GHANA

HIGHLIGHTS OF 2010 BUDGET

PREPARED BY

THE MINISTRY OF FINANCE AND ECONOMIC PLANNING

NOVEMBER 2009

MACROECONOMIC PERFORMANCE FOR 2009

Real Sector

- real GDP growth of 4.7 per cent;
- The Agricultural sector grew by 6.2 percent, against a target of 5.7 percent
- The Industrial sector grew by 3.8 per cent down from an annual growth target of 5.9 percent.
- The Services Sector grew by 4.6 per cent against a target growth rate of 6.6 percent.

Fiscal Developments

- Total revenue and grants amounted to GH¢4,518.6 million
- Total payments comprising statutory and discretionary payments amounted to GH¢6,266.4 million, equivalent to 29.6 per cent of GDP, against a budget target of GH¢7,189.9 million equivalent to 33.2 per cent of GDP.

- The overall budget deficit of GH¢1,376.7 million, equivalent to 6.4 per cent of GDP that was attained during the first three quarters of the year was financed from both domestic and foreign sources.
- Net domestic financing of the budget amounted to GH¢826.3 million, equivalent to 3.8 per cent of GDP, compared to a budget target of GH¢828.3 million.
- Financing from foreign sources totalled GH¢550.4 million, equivalent to 2.6 per cent of GDP.
- end period inflation target of 12.5 per cent;
- an overall budget deficit equivalent to 9.4 per cent of GDP;

PUBLIC DEBT MANAGEMENT

- Gross public debt rose by about US\$458.7 million to US\$8,517.7 million at the end of September 2009.
- Total public debt amounted to 59.7 per cent of GDP as at end September.

Inflation

- Reaching a peak of 20.6 per cent in April 2009, Government's fiscal consolidation stance, tight monetary policy and improved food harvest have contributed significantly to a reduction of inflation to 18.0 per cent by end October, 2009.
- Food inflation which was 19.3 per cent in April fell consistently to 13.5 per cent by end October, 2009.
- The good harvest and continuation of Government's tight fiscal stance is expected to reduce the inflation rate further to below the upper boundary of 17.5 per cent by December 2009.

Exchange Rates

- The Cedi appreciated relative to the US Dollar for three consecutive months from August to October, 2009. This helped to partly correct the excessive depreciation during the first quarter of the year.
- The Standard Bank Carry Trade ranking for October 2009 rates Ghana as the most preferred country to trade out of a basket of 24 emerging countries currencies.

Interest Rates

- The Bank of Ghana raised its prime rate from 17 per cent in December 2008 to 18.5 per cent in February 2009 and maintained it in the subsequent Monetary Policy Committee meetings to September 2009.
- The benchmark 91-day Treasury bill rate firmed up marginally to 25.9 per cent in quarter 3 compared with 25.3 and 25.8 per cent in quarter 1 and in quarter 2 respectively.

Balance of Payments

- Ghana's balance of payments improved significantly over the first three quarters of 2009, recording an overall deficit of US\$29.5 million, compared to a deficit of US\$716.8 million in the first three quarters of 2008.
- Gross international reserves rose from a stock US\$2,036.2 million at the end of 2008 to US\$2,317.1 million at the end of September 2009. This translates into a

cover for 2.4 months of imports of goods and services.

MEDIUM-TERM POLICIES

- pursuing prudent macroeconomic policies;
- modernisation of agriculture;
- provision of infrastructure including ICT;
- development of the private sector; and
- development of the oil and gas industry.

MACROECONOMIC POLICIES, STRATEGIES AND TARGETS FOR 2010

The macroeconomic targets, consistent with the macroeconomic framework are as follows:

- real GDP growth of 6.5 per cent;
- overall fiscal deficit equivalent to 7.5 per cent of GDP;
- average inflation rate of 10.5 per cent;
- end of period inflation of 9.2 per cent; and
- gross international reserves of not less than 2.5 months of import cover.

SECTORAL PROGRAMMES

Restoration of duties on food items

- The Government, therefore, decided to discontinue these measures and revert to the import duty rates previously imposed under the customs and excise (duties and other taxes) Act 2000 (Act 578). Consequently, a bill was introduced and the report presented to the House by the Finance Committee. I now wish to prevail on the House to proceed with its consideration and passage.

Rice Production

- Government will put in measures to reduce importation of rice into the Country by 20% in 2010 and a further reduction of 35% by 2012.

Import duties on textiles and poultry

- The import duty on imported textiles and poultry products will be rationalized to check dumping of such goods on the Ghanaian market.

Electronic Issuance of Permits and Exemptions

- There will be an electronic application or system for Ministries, Department and Agencies to enable them process and issue permits electronically.

Gross Payment Account Facility

- The Ghana Customs Management System will be strengthened to improve reconciliation of stocks in the warehouses. An Electronic Tracking System will also be introduced to monitor the movement of goods to and from bonded warehouses.

Mining Sector Fiscal Regime

- The Government proposes a royalty payment of six per cent as an initial step in re-engaging all mining companies to review the fiscal regime within the mining industry.
- In this engagement we will be interested to explore innovative ideas about how mining companies intend to develop linkages with the rest of the economy for meaningful development, as well as the prospects of sharing part

of the ownership holdings through the stock market.

Pricing of Energy Products

- Studies are also underway to assess the impact of re-imposition of taxes on petroleum products on household activities and economic growth.

Driver and Vehicle Licensing Authority (DVLA) – Vehicle License Plate Renewal

- In 2010, the DVLA will introduce the re-registration of vehicles every two years as a means of validating all registered and genuine vehicles.

Public-Private Partnership Option for Infrastructure Provision

To enhance the PPP process, Government will:

- initiate a Draft PPP Policy for Ghana;
- pursue the development of a PPP Law;
- develop detailed regulations, guidelines and manual pursuant to the PPP Law to guide the Implementation of the PPP;
- establish a Central PPP Unit under MOFEP to provide expert support and coordination; and
- undertake consistent training and capacity building for the public and private sectors.
- Government will explore the PPP option in the implementation of mega projects in the transport and education sectors intended to create the right synergies for job creation.
- The proposed universities to be sited in the Volta and Brong-Ahafo regions, the Jute Factory to be sited in Kumasi and

major road and railway infrastructure would, therefore, be initiated and implemented using the PPP option.

Single Spine Pay Policy (SSPP)

- A Government white paper on the single spine pay policy has been finalized which expresses Government's commitment to reviewing and streamlining public sector wages for three reasons: increase productivity, pay decent wages to the working people, and ensure equity in public sector pay. The SSPP which has been on the drawing board since 2007 will be implemented effective January 2010 whilst steps would be taken to tidy up any pre and post implementation challenges.
- A five year implementation plan has been adopted by government. The first six months of the implementation process will be used to address some technical flaws to ensure that the SSPP does not re-introduce inequities, which it was designed to address.
- Government has taken note of the high expectation of public sector workers on how the implementation of the SSPP will affect their disposable incomes. Government has, therefore, taken steps to widen the consultation and dialogue with unionised labour and all other relevant stakeholders to ensure that the implementation of the new pay policy is well understood and sustainably executed.

- Government wishes to express its appreciation to unionized labour and other associations for their continued collaboration and partnership on this journey.

SOCIAL PROGRAMMES

A number of initiatives in the social sector will be undertaken beginning in 2010 to improve the quality of life of the people. Key amongst the initiatives will be:

- a programme to remove schools under trees;
- the elimination of the school shift system;
- the Provision of free education for disabled children of school going age;
- revamping of science resource centres;
- provision of infrastructural facilities in Senior High Schools;
- scaling up of community based health planning and services (CHPS);
- provision of ambulance services; and
- improvement in national health insurance delivery.

Teachers in deprived areas

- Modalities for rewarding teachers who accept to work in deprived areas are being worked on for implementation in the medium term.

Establishment of Savannah Accelerated Development Authority (SADA)

- The geographical coverage of the Northern Development Fund has been expanded to include the entire Northern Savanna and also setting up an authority (SADA) to coordinate and

facilitate the implementation of a comprehensive development framework for the Northern Savanna.

- As a further indication of this commitment we are providing an amount of GH¢25.0 million for the establishment and the implementation of SADA for 2010.

Reactivation of the Kumasi Jute Factory

- As a further step in strengthening linkages in the economy, linking agriculture to industry and also a source of job creation, Government will support COCOBOD to establish a new jute factory in Kumasi. In this regard, COCOBOD has signed a memorandum of understanding with an Indian company on a public-private-partnership basis for the achievement of this objective.

Cocoa Processing

- CALF cocoa, a cocoa processing initiative which was the largest such initiative in the region with the capacity to employ hundreds of Ghanaians was left to rot over the eight years of the NPP administration. It is our determination to support this and other such worthy initiatives to take off and contribute to the economic growth of the country.

Ghana Citizens Entrepreneurial Development Agency (GCEDA)

- Lack of funding, weak professional management of business, and limited access to markets have been identified as some of the reasons why most small

to medium scale enterprises have not been doing well.

- To improve upon this state of affairs and grow small scale businesses into successful large scale enterprises, a Ghana Citizens Entrepreneurial Development Agency will be established.
- The initiative will involve identification of potential investors and assisting these investors through, training and mentoring. The mentoring aspect of the programme will involve the pooling of the experience and expertise of bankers, entrepreneurs and lecturers in management into an SME Advisory Council.

Management Corp in the Public and Private Sectors

- Government will in consultation with the Ghana Institute of Management and Public Administration and other allied management training institutions, for a systematic training programme to help create a new dynamic corp of personnel to manage our public and private institutions.

Road and Rail Infrastructure

- Government will rehabilitate, modernize and extend the rail network in the country, beginning with intra-urban network in Accra-Tema and Accra-Nsawam, Kumasi-Ejisu, and Takoradi-Kojokrom links.

IMPLEMENTATION CHALLENGES

- Risk to achieving macroeconomic stability
- The possibility of crude oil prices rising above the expected levels in 2010
- Delay in the recovery of the global economy

- Unexpected fallouts from the implementation of the Single Spine Pay Policy