



## REPUBLIC OF GHANA

### 2011 BUDGET HIGHLIGHTS

**Theme of the Budget:** Stimulating Growth for Development and Job Creation.

#### Major Achievements of the Economy

1. GDP growth of 4.1 % in 2009 compared to the sub-Saharan Africa growth of 2.0 %.
2. Fiscal deficit reduced significantly from the double digit of 14.5 % on cash basis at the end of 2008 to 9.7 % in 2009.
3. Inflation has trended downwards in sixteen (16) consecutive months from 20.74 % at the end June 2009 to reach 9.38 % in October 2010, the lowest in the last two decades.
4. Gross international reserves of US\$ 3,973.0 million at the end of October 2010 have 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.
5. The Ghana Cedi has strengthened and appreciated by 0.1 percent, 2.2 % and 5.4 % against the US dollar, pound sterling and euro respectively as at the end of September, 2010.
6. Met three of the four primary convergence criteria of the West African Monetary Zone for the first time since the inception of the programme of regional integration.

#### 2010 Macroeconomic Performance

7. Provisional figures based on Jan-June, 2010 actual data indicate that as at September 2010, the economy had expanded by 5.9 % against a GDP target of 6.5 %.

8. The Agriculture Sector grew by 4.8 % in 2010 against a target of 6.0
9. The Industry Sector grew by 7 % against a target of 6.6 percent.
10. The Services sector grew by 6.1 % and displaced the Agriculture sector as the highest contributor to GDP.
11. Overall Budget deficit of 8.8 % of GDP for the first three quarters of 2010.
12. Gross international reserves at the end of October 2010 stood at US\$3,973.0 million, enough to cover 3.2 months of imports of goods and services.

#### The Medium-Term Macroeconomic Framework (2011-13)

13. The "Ghana Shared Growth and Development Agenda" (GSGDA) which is the medium term development strategy of Government 2010–13 is the medium term strategy of Government. The thematic areas under the GSGDA:
  - ensuring and sustaining macroeconomic stability;
  - enhancing international competitiveness in Ghana's private sector;
  - accelerated agricultural modernisation and sustainable natural resource management;
  - oil and gas development and management; infrastructure,
  - energy and human settlements development;
  - human development, productivity and employment; and
  - transparent and accountable governance.

#### Macroeconomic targets of the 2011 Budget

14. Real GDP growth (excluding oil) of 7.0 %;
15. Real GDP growth (including oil) of 12.3 %;

16. average inflation target of 8.8 ;
17. end-period inflation target of 8.5 ;
18. fiscal balance of a deficit equivalent to 7.5 %; and
19. gross external reserves equivalent to not less than three months import cover of goods and services.

### Resource Mobilisation Initiatives

20. Increase in Withholding Tax Threshold of the 5 % from fifty currency points (GH¢50.00) to five hundred currency points (GH¢500.00).
21. Abolishing the five-year tax exemption for real estate developers. Real estate developers who partner the Ministry of Works and Housing to provide affordable houses will continue to benefit from the five year exemption.
22. Repeal of the LI 1817, which empowers the Ghana Investment Promotion Council (GIPC) to grant tax exemptions for the hotel and hospitality industry.
23. Increase in gift tax to be in tandem with general income tax. This will avoid shifting of Capital Gains to Gift Tax.
24. The Communication Service Tax coverage will now be extended to all companies and persons across the industry, in conformity with the existing law.
25. Increase in Value Added Tax Threshold from GH¢10,000.00 to GH¢90,000.00 for both goods and services. The VAT taxpayers who fall below the GHC90,000 threshold will now fall into a new scheme of combined VAT and income tax assessment.
26. the following zero rated items will be reclassified as exempt items –
  - i. pharmaceutical products,
  - ii. paper for the publishing industry

27. Twenty % environmental tax on plastic packaging materials and products, excluding bottled water which already attracts excise duty.
28. Propose to reduce the ad valorem rate by 2.5 % on all excisable goods except on spirits and cigarette.
29. Vehicle Income Tax Rates are to be reviewed as follows:

	CATEGORY	Existing Quarterly Rate (GHC)	New Quarterly Rates (GHC)
1	Hiring Cars	10	40
2	Hiring Cars (4x4)	20	60
3	Tour Operator (Up To 23)	25	100
4	Tour Operator (Above 45)	60	150
5	Articulated Timber Trucks	90	200

30. Tax Stamp will be reviewed for the Informal Sector Operators
31. The taxation of Professionals and the Informal Sector will be effectively monitored.
32. Mining List which was last reviewed in 2004, will be reviewed in 2011
33. National Fiscal Stabilisation Levy to be extended for an additional year.
34. The withholding tax on foreign supply of services will be increased from 5 % to 15 % and shall be treated as final tax.
35. Tax Holiday for APEX Bank to be increased from a 5-years to 10 years
36. The Ministry will amend the law to allow the Commissioner-General to tax all commercial activities of Institutions with Tax-Free Status.

37. The following tax threshold and tax bands and rates is proposed to be reviewed as follows:

	Income Band	Rate
First	1,104	Free
Next	360	5%
Next	840	10%
Next	17,976	17.5%
Exceeding	20,280	25%

38. Personal Income Tax Reliefs will be reviewed as follows:

Item	2006 Rate	New Rate
Marriage/Dependant Responsibility	30 Currency Points	100 Currency Points
Old Age	35 Currency Points	100 Currency Points
Child Education	30 Currency Points up to 3 Children	100 Currency Points up to 3 Children
Aged Dependant Relative (2)	25 Currency Points	50 Currency Points
Training Cost	currency Points	200 Currency Points

39. LED Lamps are to be added to the exemption list. Local companies producing energy saving bulbs will have the same treatment for their primary raw materials.

#### **Import Tax on Rice and Poultry Products**

40. Based on the ratification of the ECOWAS CET, it is proposed that the CET's recommended tariff of 35 % be imposed on imported rice and poultry products.

41. government proposes to increase airport tax as follows:

- from US\$75 to US\$100 for Economy Class;
- from US\$75 to US\$150 for Business Class;
- from US\$75 to US\$200 for First Class;
- from US\$50 to US\$60 for regional travel; and
- from GH¢ 1 to GH¢ 5 for domestic travel.

42. The government proposes an upward adjustment to the current Debt Recovery levy to retire the TOR debt and its effect on the banking system.

43. The exemption list will be reviewed. The special permit is now abolished across board, except for government imports

#### **STRUCTURAL REFORMS**

##### **Public Financial Management Reforms include:**

44. Ghana Integrated Financial Management Information Systems (GIFMIS) to transform public financial reporting system
45. Introduction of Programme Based Budgeting (PBB) as part of efforts to address existing weaknesses in the budgeting system.
46. Preparatory work will begin on a new and comprehensive budget law to effectively regulate the management of the entire public finances.
47. MoFEP has also established a contract database framework which tracks the engagement in contracts by all MDAs
48. The GRA intends to review the Internal Revenue Act, Customs, Excise and Preventive Act and complete the project to review the VAT Act.

49. Work on fiscal decentralization will be scaled up as part of efforts to improve Public Financial Management at the local level

### **Wage Management**

50. Public sector headcount will be continue in other public sector institutions.

51. The following measures are proposed over the medium term to ensure the sustainability of the SSSS:

- Single Spine Pay Policy will be implemented within a five-year period;
- The rationalization and standardization of allowances and benefit will be undertaken as a matter of urgency;
- payroll audits in public sector institutions will be intensified
- performance management-related public sector reform such as labour rationalization and others which ensure that remuneration is tied to productivity will be accelerated; and
- migration of all subvented agencies onto the IPPD will be accelerated.

52. 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 %of such transfers to be used to finance these programmes.

### **KEY ACHIEVEMENTS OF SECTORS**

53. The National Food Buffer Stock Company (NAFCO) was established to hold food security buffer stocks and to intervene in the market to ensure competitive prices at all times. About 6,949 metric tonnes of rice and

416 metric tonnes of maize were purchased and stored.

54. Government subsidised 60,000 metric tonnes of fertilizer at an average cost of GH16.00 per bag, as part of efforts to increase productivity under the fertilizer subsidy programme.

55. The first phase of the rehabilitation of the Tono Irrigation dam has been completed making available 1,874 ha of land for cultivation.

56. Under the Block Farm Programme, about 47,000 hectares of land were cultivated with maize, rice, sorghum, soybean and vegetables. This programme provided financial opportunities to 80,000 beneficiaries.

57. COCOBOD successfully raised an amount of US\$1.5 billion in the 2010/2011 crop season from 30 international banks in a syndicated loan arrangement compared with the US\$1.2 billion raised during the 2009/2010 crop year.

58. The government reviewed the producer price of cocoa upwards during the 2009/2010 crop year, in October 2009 and January, 2010. The producer price has been revised upwards again in October 2010 to a high level of GH¢ 3,200.00 per tonne (ie 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.

59. The Export Development and Investment Fund through the Mango Development Project, has over the period 2009/2010 funded 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 Mango as a major export crop for the country.

60. Establishment of a Constituency Development Fund

61. Construction of MPs Constituency Office

62. Government considers it equally necessary to provide decent office accommodation for MPs at the constituency levels.
63. To help alleviate the burden on parents, Government subsidized the conduct of Basic Education Certificate Examination (BECE) in 2010 to the tune of GH¢4,911,494.
64. The provision of free school uniform and exercise books to enhance participation and quality of teaching and learning went on as promised.
65. About 23 million exercise books were distributed to school pupils
66. Provision of uniforms for 526,263 needy children.
67. The impact of these measures on key enrolment targets are shown as follows:

**Education Enrollment Targets**

Level of Education	2008/2009	2009/2010
GER (Pre-School Level)	93.0 %	97.0%
GER (Primary Level)	95.0%	95.0%
Gender Parity Index- (Primary Level)	0.96	0.97

68. A number of interventions in the Health Sector include:
  - the completion of Winneba District Hospital;
  - 100-bed General Hospital with Malaria Research Center at Teshie;
  - 21 Health Centres; and
  - 5 polyclinics at Kpandai, Tatale, Janga, Chereponi, and Karaga in the Northern Region to improve access to health services.
  - Feasibility studies for the development of a specialized Maternity and Children’s Hospital at Ridge Hospital has also been undertaken.

69. Nine bills have been approved by Cabinet and forwarded to Parliament for approval as part of the Health Sector Legal Reform initiated in early 2000.
70. They include Health Coordination, Mental Health, Health Professionals and Regulatory, the Public Health and Traditional and Alternative Medicine bills.
71. Under the School Feeding Programme, about 670,000 pupils have been covered and it is expected to increase to 1,040,000. A social accountability component has been introduced into the programme and this has led to improvement in the management of the Programme.

**POLICY INITIATIVES**

**Priority Spending for 2011**

72. 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
73. To speed up the slow disbursement of project loans and grants the following steps have been taken:
  - i. The provision of adequate counterpart funds for the project loans and grants.

- ii. Provision of project management and procurement guidelines and training for all staff managing projects with support from our development partners.
- iii. Improvement on effective monitoring of projects through the development of a comprehensive monitoring and evaluation plan and schedule to guide project implementation.

### **China Billion Dollar Framework Agreements**

74. After the signing of the two agreements with the China Development Bank and the China Exim Bank respectively, it is expected that the nation will be significantly transformed through massive investments in nation's infrastructure in the areas of road, rail, energy, water, education, etc.

### **Water for All**

75. Government will provide safe and portable water to the citizenry to reduce the incidence of health related water borne diseases. In addition, government will provide 20,000 boreholes across the country over the next five years starting from 2011 fiscal year.

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

76. 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.

### **Protecting the Non-Oil Sector**

77. Recognizing 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.

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

78. 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.

### **Private Sector Competitiveness**

79. To improve private sector competitiveness, the Government through its new Medium Term Development Plan will create an environment which broaden investment and encourage greater enterprise development and innovation.

80. A more supportive basis for transforming the economy by increasing productivity, especially in the small and medium enterprise sector will be created and greater incentives for creating formal jobs will be provided. In addition, the Government will work towards increasing economic opportunities for the poor especially in underdeveloped regions.

81. To improve business environment, the following specific actions will be undertaken:

- 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; and
- Promotion of public-private partnership through projects such as the Alstom Power Plant in the energy sector, the Takoradi and Tema Port expansion and the Accra Kumasi Toll road

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

82. In bridging the huge housing deficit in the country, 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.
83. 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

### **Monetisation of Government Interests in Mining**

84. Government will 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 to take advantage of 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.
85. 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.

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

86. Following the implementation of the new pension scheme this year, 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 % of the working population.
87. 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.

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

88. The share of the Common Fund for person with disability is to be increased from the current 2 %to 3 %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**

89. Tariffs will be subjected 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**

90. 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.

### **Public Private Partnership**

91. 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**

92. To address the bottlenecks faced by SMEs in their development, Government has put in place the following measures:
93. 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;
94. Collaboration with and strengthening of SME's business associations, through consultations and dialogue;
95. Provision of vital information to SME's to facilitate effective linkages and networking among SME's and between SME's and Large Scale Enterprises;
96. 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**

97. Madam Speaker, Government intends to boost commercial agriculture by engaging the private sector through the Public Private Partnership framework in agro processing. Proposals from private sector organizations in developing large scale commercial farms in rice, maize and soya bean cultivation and processing among others will be considered. 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: -
98. Sustaining the country's food security and also meet needs of the School Feeding Programme;
99. Stimulation of domestic economic activity particularly in the agro-processing sector; and
100. Contributing to the millennium development goal of required healthy levels of animal protein consumption by the year 2015.

### **Conclusion**

101. The 2011 budget puts Ghana on the right path to achieving accelerated economic growth and prosperity in an environment of stability.
102. 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.
103. The budget also seeks to grow the Ghanaian economy on a sustainable basis and create jobs to reduce unemployment.