



REPUBLIC OF GHANA

## MINISTRY OF FINANCE

# MID-YEAR FISCAL POLICY REVIEW OF THE 2019 BUDGET STATEMENT AND ECONOMIC POLICY & SUPPLEMENTARY ESTIMATES OF THE GOVERNMENT OF GHANA

## FOR THE 2019 FINANCIAL YEAR

Presented to Parliament On  
Monday, 29<sup>th</sup> July 2019

BY  
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## INTRODUCTION

1. Right Honourable Speaker, Honourable Members of Parliament, today the 29<sup>th</sup> July 2019 on the authority of His Excellency, President Nana Addo Dankwa Akufo-Addo, I beg to move that this august House approves the Mid-Year Fiscal Policy Review and Supplementary Estimates to the 2019 Budget.
2. Mr. Speaker, on 15th November 2018, I presented to this House the Budget Statement and Economic Policy of the Government of Ghana for the 2019 Financial Year. I stand before you today to present the Mid-Year Fiscal Policy Review of the 2019 Budget Statement and Economic Policy, and a Supplementary Estimate of Government for the 2019 Financial Year.
3. Mr. Speaker, I am performing this statutory function in accordance with Article 179 (8) of the 1992 Constitution and Standing Order 143 of this august House which set out the modalities for laying Supplementary Estimates before this House, and Section 28 of the Public Financial Management Act, 2016 (Act 921) which enjoins the Minister responsible for Finance to prepare and submit to Parliament a Mid-Year Fiscal Policy Review.
4. Mr. Speaker, this statement is an abridged version of the Mid-Year Review of the 2019 Budget Statement. I would like to request the Hansard Department to capture the entire statement on the Mid-Year Fiscal Policy Review and Supplementary Estimates.
5. Mr. Speaker, I wish to update the House on key developments since the Budget presentation last year, a few of which are challenging our collective efforts to improve and expand the economy. Some of these developments have imposed significant shocks and will require decisive actions to maintain economic stability.
6. In line with our objective of building a strong economy for jobs and prosperity, Government outlined a number of priority objectives for the 2019 Budget. They include:
  - Maintaining macroeconomic stability;
  - Modernising Agriculture;
  - Provision of Efficient Infrastructure;
  - Industrialisation;
  - Private Sector Growth and Entrepreneurship;
  - Social Intervention Policies; and
  - Financial Sector clean-up.



7. I am happy to announce that these priority projects are on and we are delivering on the real change that Ghanaians voted so massively for in December 2016. In the last 31 months, year after year, budget after budget, together with the active support of the people and businesses, we are, building a confident, stronger and ambitious economy. The shared progress that we are making is real and the credit for this success is, in fact, a shared one with the people we are elected to lead, serve and obey.
8. However, Mr Speaker, it must be stressed that we continue to face serious risks and challenges which we must, with the support of the people, tackle head on because these risks and challenges combine to slow our efforts to improve with urgency, depth and discipline, the lives of our people, especially in the provision of public and social infrastructure, such as roads, community housing, schools, clinics, water and electricity. We believe that the accelerated progress which the people of Ghana desire and deserve will be better served if these risks and challenges are neutralised.
9. Mr. Speaker, a 2019 report of the IMF, using Ghana as a case study, pretty much captures where our economy was and where we have taken it to over the past 31 months and the greater gains we are poised to make from the decisions we have taken as a result of the competence and discipline we have applied in implementing them.
10. With your permission, Mr Speaker, I quote from the very beginning of the report: "Ghana has been hailed as one of sub-Saharan Africa's success stories. It was the first to free itself from colonial rule, in 1957. It built a stable democracy in the 1990s, overcoming decades of political upheaval. A thriving economy fuelled by exports of cocoa, gold, and—more recently—oil helped cut the poverty rate from 53 percent in 1991 to 21 percent in 2012.
11. "But by 2015, Ghana's economy was in trouble, hobbled by widening current account and budget deficits, rampant inflation, and a depreciating currency. Credit dried up as interest rates rose and banks' bad loans piled up. At the root of Ghana's woes was out-of-control government spending... In early 2015, Ghana turned to the IMF for a \$918 million loan to help stabilize the economy..." **[unquote]**
12. The report goes on to highlight some of the achievements chalked over the past 31 months. "[quote] Ghana's economy is on the mend. The trade and budget deficits are narrowing. The pace of economic growth is poised to rise to 8.8 percent in 2019 from 2.2 percent in 2015. The inflation rate is projected to fall to 8 percent from almost 19 percent. Cuts to wasteful spending made



room for much needed social services, such as free secondary education. For Ghana's 28 million people, it all adds up to higher incomes, better job opportunities, and more purchasing power. *[unquote]"*

<https://www.imf.org/en/Countries/GHA/ghana-lending-case-study>

13. Mr. Speaker, true to our word, we have successfully completed and exited the IMF-ECF programme with the final review completed last April. We have had to make some difficult but necessary choices to correct the mistakes that forced the previous government to seek an IMF bailout for oil-rich Ghana. We believe that the decisions we have taken so far will safeguard the long-term interest of the nation and our people and thank the people for bearing with us. Economic management, after all, is about making difficult choices. It is about putting the national interest above sometimes populist, self-serving and short-term choices.
14. The shared successes achieved so far attests to the fact that, like the good stewards mentioned in the parable of the talents in the Bible, we have prudently utilised the very limited resources that we were entrusted with to achieve much more. I stood here Mr. Speaker in March 2017, with our two fishes and five loaves, and the Lord has indeed blessed us
15. Mr. Speaker, we have been able to entrench fiscal discipline through the strategic allocation of resources, efficiency in the use of public funds, as well as enhancing transparency and accountability in our management of the public purse. Candidate Akufo-Addo promised to protect the public purse and that is exactly what we have been doing at the Treasury.
16. To highlight the point, Mr Speaker, in a space of 31 months (from January 2017 to July 27<sup>th</sup>, 2019), by reviewing contracts that were either sole-sourced or procured through restrictive tender, the Akufo-Addo administration has made savings of GH¢2.75 billion (which breaks down to GH¢800 million in 2017, GH¢1.1 billion in 2018, and GH¢1.085 billion in 2019).
17. Mr Speaker, permit me to compare these savings made by the Public Procurement Authority under this administration to what happened under the previous one, even though more contracts were awarded through sole sourcing and restrictive tender annually than any year under this government. In 2013 savings registered was zero cedis. In 2014, again, savings made amounted to zero cedis. In 2015, savings made totalled zero cedis. In 2016, again the PPA made zero cedis in savings. When it comes to how taxpayers' monies have been managed, the facts and figures, Mr Speaker, speak loudly. We believe it is very important on days like this we show to the people of



Ghana that this government, their government, the Akufo-Addo government, the New Patriotic Party government, your government spends the taxes you pay for your benefit and for the benefit of the collective. This is because we consider the social contract between government and the people as a sacred covenant.

18. Mr Speaker, in each of the 57 or so Cabinet meetings we have attended in the last 31 months, the President is always quick to remind us, to stress to us, his ministers, the urgency in meeting the needs and aspirations of the Ghanaian people. Just last week, as we discussed the details of this statement I am reading now, the President reminded us that, in spite of all that we have managed to achieve so far, too many Ghanaians are still suffering. He reminds us that we are certainly not there yet. That our efforts to confront poverty, fix our roads, provide community housing, support our farmers, protect the vulnerable, offer better conditions of service to our nurses, teachers, security officers, get businesses operating optimally, were being checked and that we should be bolder in taking steps that will offer us the fiscal space to improve the lives of those we lead, serve and obey. Today, I will announce the calculated and balanced measures that we intend to take, with the support of this House, with, essentially, the aim of improving lives.
19. Mr. Speaker, the Akufo-Addo government leads, serves and obeys. The evidence is mightily clear that we offer better and assured leadership in managing the Ghanaian economy. All key indicators for building a stronger economy have been cured effectively and are stronger now than they were 31 months ago.
- Inflation has dropped to single digit and dropping;
  - Interest rates continue to drop;
  - External payments position has strengthened;
  - Exchange rates have been more stable;
  - The fiscal deficit has reduced to below 5%;
  - Real GDP growth has rebounded and remains robust;
  - Debt to GDP ratio is below 60%.
  - The banking sector has been rescued, and recapitalized.
20. Mr. Speaker, as a result of the bold and decisive measures we took to fix the banking crisis, our banks are stronger and richer, and, with the cost of borrowing dropping, banks can and should, therefore, do a lot more to support the growth and expansion of business which will create more jobs



under the stable environment that has been provided by Government for that exercise.

21. Mr. Speaker, we recall, the last time the NPP was in government, a government in which, you, Mr. Speaker served with pride and distinction, our financial sector expanded considerably. It was under President J. A. Kufuor that we saw increase in the number of banks. The sector became competitive, with banks chasing ordinary workers with loan offers. This resulted in one of the highest average GDP growth rates in our country's history.
22. We know that the foundation for growing businesses and creating jobs everywhere is a vibrant, well-governed, well-resourced, competitive financial services sector, operating under a stable economic regime. That is why we could not watch the sector collapsing, even if it meant slowing down for a year or so on some of our own scheduled programmes. In the recovery process, we managed to set up the Consolidated Bank Ghana Limited and capitalised it with GH¢450 million. Just this month, CBG has released funds, totalling GH¢530 million to Cocobod for cocoa roads. We provided funding of GH¢11.2 billion to secure depositors' funds in the failed banks. The Ghana Amalgamated Trust has provided funds, to capitalize solvent indigenous banks that were struggling to meet the enhanced minimum paid-up capital of GH¢400 million. We have recently provided an additional GH¢925 million for pay-outs to small depositors of the 386 microfinance institutions.
23. Mr. Speaker, we have restored confidence into the banking system, securing the otherwise distressed deposits of some 2,655,100 customers, as well as saving over 3,000 jobs. Today, total banks' assets have shot up to GH¢112.8 billion. Growth of credit to the private sector is rebounding assuredly by 16.8% in June 2019. I am, therefore, happy to announce confidently that Ghana is seeing the revival of that zealous, responsive and, at the same time, responsible banking environment we had been reduced to reminiscing.
24. Mr. Speaker, the Akufo-Addo government is here to lead and also serve. We are serving the people better in keeping their lights on; in getting our children into the classrooms and feeding them there; in getting our NHIS cards to work; in reducing the cost and hassle of clearing goods at our ports, in keeping more police on our streets, in helping farmers to produce more and earn more.
25. Mr. Speaker, again, the Akufo-Addo government is an obeying government. We trust and obey for the people who chose us to lead and serve. It means



we listen and we act responsibly and decisively, in response to what the people tell us.

26. We have looked beyond the legendary Green Book of bold but many unsubstantiated claims of infrastructural projects fabricated and built but in those beautiful pages for our predecessors' 2016 campaign. We have also heard the echoing calls of the people from across the country since the Green Book was commissioned and their cries are to have their roads fixed. My message to all those WhatsApp videos of bad roads is this: we have heard you; we have seen them and; we are sending over the motor graders, wheel loaders, asphalt mixing plants and road roller machines to fix your community roads, farm gate roads and highways. We will certainly not be able to do them all within this four-year term. But, we have planned for them and have found the money to do far more than what the Green Book authors achieved. Fellow Ghanaians, I wish to plead with you and assure you to bear with us, for your obeying government, the Akufo-Addo government, will fix your roads and we shall fix them; not with words and pictures.
27. Mr. Speaker, our underlining strategy is to grow the economy and to do so aggressively, prudently, broadly and sustainably. This is because we know that we cannot meet the needs and aspirations of our people if we do not fix and build a strong, dynamic and confident economy. But, we cannot also build if we don't manage the growth of our expenditure and maintain the discipline and integrity that are needed to protect the public purse.
28. We believe that every generation must pay its own share of recurrent expenditure. So, for recurrent spending on education, healthcare, security and other social spending, we should not be borrowing as that unfairly shifts the burden on future generations. We also know that even for infrastructural spending, there is still a limit as to how much we can borrow at any given time.
29. We are improving domestic revenue generation. The restructuring of the Ghana Revenue Authority and the measures we have put in place to automate processes at the ports are already yielding positive results. We see a new sense of responsibility from those entrusted with collecting our taxes and we know that they will make this country proud by keeping the tax gates and ensuring that we raise the necessary tax revenues to continue to effectively fund priority programmes for the benefit of all Ghanaians. We are also determined not to spare the rod on those who offend our revenue mobilisation efforts.



30. Three months ago, I came here, together with my colleague, John Peter Amewu, to ask for approval for the amended Petroleum Agreement for AGM Petroleum in the South Deepwater Tano block. Since then, the Norwegian oil company has drilled two wells in the block – two more than the number of wells drilled under the previous administration. And, just two weeks ago AGM announced that they had discovered oil in an area called Blessing. This comes barely six months after Aker announced that it had discovered oil after a mightily successful drilling exercise in the Deepwater Tano Cape Three Points block, which was reported as the biggest find in Africa. The future is, indeed, brighter. All that I can say, Mr Speaker, is that we thank God for his blessings on Ghana.
31. Mr. Speaker, in line with our objectives for 2019, government is implementing a number of programmes to revamp economic and social infrastructure to support industry, facilitate business development and deliver social services.
32. Mr. Speaker, our industrialization and agricultural modernization drive is on track and transforming Ghana. Our social protection and intervention programmes have seen major expansion and efficiency gains.
33. Mr Speaker, Government’s flagship Free SHS programme, has changed the course of this nation forever and posterity will thank the President of the Republic of Ghana, His Excellency Nana Addo Dankwa Akufo-Addo for making it possible for our young people to realise their future dreams and aspirations through free education.
34. Access to secondary education in this country has never been higher. The innovative temporary double track system currently being implemented has helped to accommodate the numbers, affording each child the possibility of accessing secondary education. Government has responded to this increased demand with accelerated infrastructure delivery.
35. Mr. Speaker, I am happy to announce that two schemes, National Housing & Mortgage Scheme (NHMS) and Affordable Housing Real Estate Investment Trusts (REITs), under our “Decent Homes, Better Life” initiative have commenced. This initiative will provide quality affordable housing for Ghanaians, starting with public and civil servants.
36. Mr. Speaker, our remarkable achievements over the 31 months have been noticed even beyond the shores of Ghana, setting the right tone for attracting massive support for Ghana to win the bid to host the Secretariat of the African Continental Free Trade Area (AfCFTA). This is the first time Ghana is hosting



a continental African institution. AfCFTA is an institution covering all African countries with a population of 1.2 billion and a GDP of US\$2.5 trillion. The institution will spur trade and economic growth in Africa and with Ghana hosting the secretariat, this will advance our goal of becoming a regional economic hub.

37. Last Thursday I participated in the Investor Conference of the Ghana Trade Fair Site Redevelopment Project, which is aimed at redeveloping the Ghana Trade Fair Site into a first-class international convention and exhibition centre, supported by other infrastructure such as world class hotels, retail facilities and offices. The facility, when completed, will support international events generated by opportunities such as Ghana hosting the AfCFTA Secretariat. The Trade Fair Redevelopment Project, which is already in motion, is estimated to inject about US\$2 billion in private sector investment into the economy and generate thousands of jobs for the people of Ghana, especially the community around the facility.
38. Mr Speaker, notwithstanding the significant progress we have made so far, the serious challenges we are facing in the energy sector pose grave financial risks to the whole economy. At the heart of these challenges are the obnoxious take-or-pay contracts signed by the NDC, which obligate us to pay for capacity we do not need.
39. Currently, according to the Energy Commission, our installed capacity of 5,083 MW is almost double our peak demand of around 2,700 MW. Notably, 2,300 MW of the installed capacity has been contracted on a take-or-pay basis. This means that we are contractually obliged to throw away money for this excess capacity which we do not consume. This has resulted in us paying over half a billion U.S. dollars or over GHS 2.5 billion annually for power generation capacity that we do not need.
40. Similarly for gas, Ghana has contracted for around 750 mmscf per day by 2023. This is even after this government terminated two other LNG contracts in 2017. Current demand is around 250 mmscf per day, and this is projected to rise to between 450 and 550 mmscf per day by 2023. About 640 mmscf of the contracted gas supply is on a take-or-pay basis, meaning we have to pay whether we use it or not. From 2020, if nothing is done, we will be facing annual excess gas capacity charges of between US\$550 and US\$850 million every year. Thankfully, we have a plan to deal with this.



41. Mr. Speaker, we cannot allow this situation to continue. There is no doubt that the situation in the energy sector is shocking the economy. We are in a state of emergency and must therefore respond with urgency and boldness. We shall from August 1<sup>st</sup> 2019, with the support of Parliament, make Take-or-pay contracts a beast of the past.
42. Mr. Speaker, the 12th June, 2019 ruling of the Supreme Court has defined the “total revenues” of Ghana of which the DACF shall be allotted 5%. Mr. Speaker, this judgement will bring an end to the long standing convention that had developed since the beginning of the 4th Republic. The Ministry of Finance has written to and is working with the Ministry of Justice and the Attorney-General’s Department to implement the judgment.
43. Mr. Speaker, I now proceed to give details of updated performance for 2018, developments for the first half year of 2019, and conclude with the outlook for the rest of the year

## **OVERVIEW OF RECENT MACROECONOMIC DEVELOPMENTS**

### **Update on Global developments**

#### ***Growth***

44. Mr. Speaker, since the presentation of the 2019 Budget to this august House in November 2018, the global growth momentum has continued to decline, reflecting an escalation in trade tensions and tariff hikes between the United States and China, decline in business confidence, tightening of financial conditions, and higher policy uncertainty across many economies, including unresolved Brexit negotiations. Growth broadly weakened in emerging market and developing economies, influenced largely by a slowdown in global trade, concerns with the on-going US-China trade tensions, as well as worsened global financial market sentiments in the second half of 2018.

#### ***Inflation***

45. Mr. Speaker, inflationary pressures in advanced economies, including Ghana’s key trading partners, remain relatively subdued, reflecting low commodity prices and sluggish wage growth. Across emerging market and developing economies, the recent drop in oil prices have contributed to subdued inflationary pressures. Inflation is expected to remain stable and contained across advanced economies, reflecting the expected moderation in global



growth, relatively anchored inflation expectations, and moderate wage growth.

### ***Financing conditions***

46. Mr. Speaker, global financing conditions, on the other hand, have eased somewhat due to prospects of anticipated reduction in the US Fed rate in the second half of the year, and the general accommodative monetary policy stance across most advanced economies. Financial conditions in emerging markets also improved earlier in the year but still remain somewhat tighter than at the time of presenting the 2019 Budget in November last year.

### **Update of Macro Economic Developments in 2018**

47. Mr. Speaker, at the time of presenting the 2019 Budget to this august House in November last year, we provided information on macroeconomic developments and outcomes for the first nine months of the 2018 fiscal year. We now have updated information through to end-December 2018. With your permission, I will proceed to present the summary on the updated macroeconomic developments in 2018. To put this review in perspective, however, I would like to restate the macroeconomic targets for 2018:

- Overall real GDP growth rate was projected at 5.6 percent;
- Non-oil real GDP growth rate was projected at 5.8 percent;
- End-period December inflation was projected at 8.9 percent;
- Overall Budget Balance was projected to end in a deficit equivalent to 3.7 percent of GDP;
- Primary balance was projected to end in a surplus equivalent to 1.4 percent of GDP; and
- Gross International Reserves was projected to cover at least 3.5 months of imports of goods and services.

### ***GDP Growth***

48. Mr. Speaker, provisional data released by the Ghana Statistical Service (GSS) in April 2019 show that overall real GDP growth (including oil) for 2018 was 6.3 percent, 0.7 percentage points higher than programmed, albeit lower than the 2017 performance of 8.1 percent. Non-oil real GDP also increased from 4.6 percent in 2017 to 6.5 percent in 2018, and exceeded the target rate of 5.8 percent.

### ***Inflation***

49. Mr. Speaker, headline inflation eased to 9.4 percent in December 2018 from 11.8 percent in December 2017, mainly on account of steady decline in non-



food inflation, supported by the relatively tight monetary policy stance maintained throughout the year, as well as a supportive fiscal stance. Non-food inflation fell to 9.8 percent in December 2018 from 13.6 percent in December 2017, while Food inflation increased to 8.7 percent in December from 8.0 percent over the same period in 2017.

### ***Monetary Aggregates and Credit***

50. Mr. speaker, in spite of the contraction of private sector credit growth in the first quarter of 2018, private sector credit growth recovered as banking sector liquidity improved, reflecting the impact of the banking sector clean-up and the recapitalization exercise in 2018. Annual growth in private sector credit for 2018 was 10.6 percent compared with 13.4 percent growth a year earlier. The share of total outstanding credit to the private sector is still high at 88.0 per cent in 2018, down from 89.8 per cent in 2017. Total outstanding credit to the private sector at the end of December 2018 was GH¢37,593.2 million, compared with GH¢33,987.0 million recorded in the corresponding period in 2017.

### ***Interest rate developments***

51. Mr. Speaker, in line with Bank of Ghana's objective of anchoring inflationary expectations and ensuring the stability of the domestic currency, the Monetary Policy Rate was lowered further by 300 basis points (bps) in 2018, from 20.0 percent in 2017 to 18.0 percent in March 2018, and further to 17.0 percent in June 2018, and remained unchanged for the rest of the year.
52. Average lending rates of banks declined broadly in line with the policy rate to 26.9 percent in December 2018, down from 29.3 percent in December in 2017. Interest rates on both short-end and medium-term government securities, however, generally trended upwards, particularly, in the second half of 2018, reflecting tight financing conditions.

### ***Balance of Payments***

53. On the external front, the trade balance recorded a surplus in 2018 for the second consecutive year, amounting to 2.7 percent of GDP, supported by strong performance in crude oil exports (which benefited from both volume and price developments) and non-traditional exports. The current account, however, recorded a deficit of US\$2.1 billion (3.2 per cent of GDP) in 2018 compared to US\$2.0 billion (3.4% of GDP) in 2017, as net outflows from the income account far outweighed the gains from the trade balance.

### ***International Reserves***



54. The stock of Gross International Reserves at the end of December 2018 amounted to US\$7.0 billion, sufficient to provide cover for 3.6 months of imports of goods and services, compared to US\$7.6 billion, or 4.3 months of imports of goods and services over the same period in 2017.

### ***Exchange Rate***

55. Mr. Speaker, the Ghana cedi was largely stable against the major currencies in 2018, supported by improved macroeconomic fundamentals and higher foreign exchange inflows. Despite coming under pressure between April and September, the cedi recovered in the last quarter of 2018, reflecting stabilizing global environment and improved foreign inflows from the cocoa syndicated loans and remittances, as well as drop in crude oil prices. On the interbank market, the cedi cumulatively depreciated in 2018 by 8.4 percent, 3.9 percent, and 3.3 percent, respectively, against the US dollar, the euro, and the pound sterling compared to 4.9 percent, 16.2 percent, and 12.9 percent against the US dollar, the euro, and the pound sterling, respectively, in 2017.

### ***Fiscal Developments***

56. Mr. Speaker, Government's fiscal operations in 2018 were broadly in line with expectations. The fiscal deficit, excluding financial sector resolution costs, declined further from 4.8 percent of GDP in 2017 to 3.9 percent in 2018. Altogether, this represents a cumulative decline of 2.6 percentage points of GDP since 2016. For the first time in many years, the country recorded a positive Primary Balance for the second consecutive year, reaching 1.4 percent of GDP at the end of 2018.

### ***Revenue Performance***

57. Mr. Speaker, Total Revenue and Grants for the period amounted to GH¢47.6 billion, equivalent to 15.8 percent of GDP, against the annual programme target of GH¢49.0 billion, or 16.4% of GDP.
58. Although some revenue handles such as Personal Income Tax, Corporate Income Tax, Petroleum Excise Tax, and upstream Oil & Gas receipts outperformed their respective annual targets, these were not enough to offset higher revenue shortfalls from Value Added Tax, International Trade Taxes and other Non-Tax receipts. The key reasons for the shortfalls were explained by,
- i. non-implementation of Electronic Point of Sales devices (EPOs) policy;
  - ii. delay in the implementation of Excise Tax Stamp policy;
  - iii. lower recorded CIF Values of imports, and admittance of large volumes of imports into the exempt, low-rated and zero-rated tariff categories;



- iv. non-realisation of some programmed Dividends from State-Owned Enterprises (SOEs);
- v. non-materialisation of Gas Receipts due to intra-energy sector cross debt issues; and
- vi. delay in the sale of an Electromagnetic Spectrum as well as payment of TELCOs license renewal fees.

### ***Expenditure Performance***

59. Mr. Speaker, on the expenditure front, Total Expenditure (including arrears clearance) for the period was broadly contained within budgetary constraints and amounted to GH¢59.3 billion (19.7 percent of GDP) against a target of GH¢60.0 billion (20.1 percent of GDP).

### ***Overall Budget Balance and Financing***

60. Mr. Speaker, given the developments in revenue and expenditure, the Overall Budget Balance, registered a deficit of GH¢11.7 billion, or 3.9 percent of GDP, compared to the target of 3.7 percent of GDP.

61. The deficit was financed from both domestic and external sources. Total Domestic Financing amounted to GH¢8.9 billion, equivalent to 3.0 percent of GDP, and constituted 84 percent of the total financing. Foreign financing amounted to GH¢2.7 billion equivalent to 0.9 percent of GDP, against a target of GH¢4.7 billion or 1.6 percent of GDP.

62. The Primary Balance recorded a surplus of GH¢4.1 billion, equivalent to 1.4 percent of GDP, compared to the targeted surplus of GH¢4.2 billion, which is also 1.4 percent of GDP.

### ***Public Debt Developments***

63. Mr. Speaker, in line with our fiscal operations, Ghana's gross public debt stock in nominal terms, stood at GH¢173.1 billion or US\$35.9 billion at the end of 2018. This was made up of GH¢86.2 billion or US\$17.9 billion of external debt and GH¢86.9 billion or US\$18.0 billion of domestic debt.

### ***Liability Management and Debt Re-Profiling Programme***

64. Mr. Speaker, Government in 2018 implemented a liability management programme focusing on actively managing the public debt portfolio and minimising refinancing risk in line with the approved debt strategy. Leveraging on an improved macroeconomic environment, Government earmarked a total amount of US\$1.25 billion from the proceeds of the 2018 Eurobond of US\$2.0 billion for its liability management programme as follows:



- US\$830.0 million was used to buy-back part of the 2022 Eurobond. This was also the largest liability management exercised by Ghana to date;
  - Buybacks totalling GH¢309.0 million (US\$64.1 million) were conducted to help smoothen the maturity profile of public domestic debt and to reduce refinancing risk; and
  - The maturing 2-year domestic US Dollar-denominated bond of US\$94.6 million was fully redeemed.
65. Mr. Speaker, Government also spent GH¢300 million to generate liquidity on the secondary market by buying back some domestic bonds. Consequently, the tenor of the domestic debt was extended to the longer end with an amount of GH¢4.2 billion.

### **Macroeconomic Performance from Jan - June, 2019**

66. Mr. Speaker, I now report on the macroeconomic performance for the first-half of 2019. The following macroeconomic targets were set for 2019:
- Overall real GDP growth rate of 7.6 percent;
  - Non-Oil Real GDP growth rate of 6.2 percent;
  - End-period Inflation rate of 8.0 percent;
  - Overall fiscal deficit of 4.2 percent of GDP;
  - Primary surplus of 1.2 percent of GDP; and
  - Gross international reserves to cover at least 3.5 months of imports of goods and services.

### ***Growth***

67. Mr. Speaker, provisional estimates released by the Ghana Statistical Service (GSS) in April 2019 show that overall real GDP recorded a growth rate of 6.7 percent in the first quarter 2019, compared to 5.4 percent over the same period in 2018. Growth in the non-oil sector was 6.0 percent compared to 4.2 percent in the corresponding period of 2018.
68. The Industry Sector recorded a growth rate of 8.4 percent in the first quarter of 2019 compared to 10.4 percent during the same period in 2018. Growth in the Services Sector rebounded strongly to 7.2 percent in the first quarter of 2019 compared to 1.4 percent recorded during the same period in 2018, while the Agriculture Sector recorded the lowest growth rate of 2.2 percent first quarter of 2019 compared to 4.7 percent during the same period in 2018.

### ***Inflation***



69. Mr. Speaker, in spite of the progress made to contain inflationary pressures over the past 24 months, headline inflation rose gradually from 9.0 percent in January to 9.5 percent in April, reflecting pass-through effects of the currency depreciation during the period. Inflation, however, declined gradually to 9.4 percent in May and further to 9.1 percent in June 2019.

### ***Interest rates***

70. In line with the disinflation process, the Bank of Ghana Policy Rate was further reduced by 100 basis points to 16.0 percent in January 2019 and has since remained unchanged. Over the first half year, the 91-day Treasury bill rate rose to 14.8 percent in June 2019 from 14.6 percent in December 2018. Similarly, the rate on the 182-day bills also increased to 15.2 percent from 15.0 percent for the comparative period.

### ***Banking Sector***

71. Mr. Speaker, the recapitalization exercise undertaken by Bank of Ghana, which sought to increase the stated minimum capital of banks from GH¢120 million to GH¢400 million, ended in December 2018, with a total of 23 banks meeting the requirement. Following the clean-up exercise, total assets of the banking sector increased by over 12 percent between June 2018 to June 2019. Total deposits also increased by over 22 percent during this period.
72. With the rebound of the sector, banks are now poised to deploy their newly-injected capital towards financial intermediation to aid the development process. Asset quality has also improved, as reflected in the declining Non-Performing Loans (NPL) ratio from 22.6 percent in June 2018 to 18.1 percent in June 2019. There were also significant improvements in the banks' profitability indicators.

### ***Balance of Payments***

73. Mr. Speaker, on the external front, provisional trade balance for the first half of 2019 show an improved trade surplus of 2.8 percent of GDP compared to a surplus of 1.9 percent of GDP in the first half of 2018. As a result, the current account recorded a marginal surplus in the first half of 2019, the first in recent times. Coupled with the with significant inflows recorded by the capital and financial accounts, the overall balance of payments yielded a surplus of 1.9 percent of GDP over the review period, compared with a deficit of 0.6 percent of GDP recorded during the same period last year.

### ***International Reserves***

74. The positive developments in the external sector contributed to significant improvements in the stock of gross international reserves to US\$9.9 billion at



end-March 2019, enough to pay for over 5 months of import of goods and services, before declining to 4.3 months import cover at the end of June 2019, largely on account of energy-related debt payments and higher repatriation obligations occasioned by domestic debt interest and coupon repayments to non-resident domestic debt holders.

### ***Exchange Rate***

75. After experiencing some temporary pressures in February 2019, the Ghana cedi largely stabilized towards the end of the first quarter of 2019, on account of improved supply of foreign exchange, partly from the recent Eurobond issue. The cedi experienced a cumulative depreciation of 8.4 percent in the year to June 2019, compared with 2.4 percent for the corresponding period of 2018. Against the pound sterling and the Euro, the cedi cumulatively depreciated by 7.6 percent and 7.9 percent, respectively.

### ***Fiscal Performance***

76. Mr. Speaker, provisional fiscal data for the first half of 2019 show that revenue mobilisation fell short of target due mainly to shortfalls in customs receipts and non-oil Non-Tax revenues. Although expenditures were broadly within target, the pace of execution was faster due mainly to the need to accommodate some unprogrammed expenses on border security.
77. Mr. Speaker, these developments pushed our financing requirements above the programmed limits for the period to enable us address these additional expenditure pressures. Consequently, the fiscal deficit for the period widened from a programmed target of 2.9 percent of GDP to 3.3 percent.

### ***Revenue Performance***

78. Mr. Speaker, Total Revenue and Grants for the first half of the year amounted to GH¢22.8 billion compared with a programmed target of GH¢27.0 billion, resulting in a shortfall of 15.5 percent. This, however, represents a nominal increase of 7.8 percent over the corresponding period in 2018.
79. Non-oil Tax Revenue, comprising taxes on Income and Property, Goods and Services and International Trade, though 9.4 percent below target for the first half of 2019 represents an annual increase of 14.7 percent. With the exception of Domestic VAT, Petroleum Excise taxes, Domestic National Health Insurance Levy, and GETFund Levy, all of which out-performed their respective targets for the period, most revenue lines underperformed their respective targets for the period but are expected to recover in the second half of the year.



### ***Expenditure Performance***

80. Mr. Speaker, Total Expenditures (including arrears clearance) amounted to GH¢34.2 billion for the period compared with the programme target of GH¢36.8 billion.
81. Mr. Speaker, key expenditures were well contained during the period with the exception of expenses on the Use of Goods and Services which was 30.1 percent higher than target mainly on account of security related expenses to reinforce our borders. So far, expenses on the free SHS programme and some other Government flagship programmes have remained on track.

### ***Overall Budget Balance and Financing***

82. Mr. Speaker, Government's fiscal operations resulted in a cash deficit of 3.3 percent of GDP, compared with the programmed target of 2.9 percent of GDP for the half-year.
83. Mr. Speaker, a significant portion of the deficit was financed from foreign sources (81.3%), including proceeds from the 2019 Eurobond issuance which raised a total of US\$3.0 billion in 7-year, 12-year, and 31-year Eurobonds of US\$750.0 million, US\$1.25 billion and US\$1.0 billion, respectively. Domestic financing of the deficit, including market operations, constituted the remaining 18.7 percent.
84. The Primary Balance recorded a deficit equivalent to 0.8 percent of GDP against a deficit target of 0.1 percent of GDP for the period.

### ***Public Debt Developments***

85. Mr. Speaker, the gross public debt stock in nominal terms stood at GH¢204 billion (US\$38.7 billion) as at end-June 2019, representing 59.2 percent of GDP. The increase was mainly as a result of frontloading the financing requirements for 2019 in the first quarter. Debt accumulation in the subsequent quarters is expected to ease downwards and stabilise.
86. The share of the external debt stock increased from 50.2 percent at end-December 2018 to 52.8 percent at the end of June 2019, mainly driven by the issuance of Eurobonds of US\$3.0 billion in March. The IMF also disbursed an amount of SDR132.84 million (US\$184.30 million) in March 2019 after their 7<sup>th</sup> and 8<sup>th</sup> reviews of the Extended Credit Facility Programme. On account of these two major inflows, a net amount of US\$2.9 billion, equivalent to approximately GH¢14.8 billion, was added to the debt stock. The increase in



the external debt stock amounted to GH¢23.8 billion between December 2018 and June 2019, reflecting a volume transaction of GH¢14.8 billion and exchange rate depreciation of GH¢9.0 billion.

### ***2019 Eurobond Issuance***

87. In line with the approval of this august House, Government raised a total of US\$3.0 billion in 7-year, 12-year, and 31-year Eurobonds of US\$750.0 million, US\$1.25 billion and US\$1.0 billion, respectively, on March 19, 2019. The 7-year, 12-year, and 31-year bonds were priced at 7.6875 percent, 8.125 percent and 8.950 percent, respectively.
88. The 2019 Eurobond issue was significant in two respects: it was the first ever triple-tranche Eurobond offering by Ghana; and was also the largest by a Sub-Saharan African country, excluding South Africa.

## **REVISED 2019 MACROECONOMIC TARGETS, FISCAL FRAMEWORK AND REQUEST FOR SUPPLEMENTARY BUDGET**

### **Revisions to Macroeconomic Framework**

89. Mr. Speaker, since the presentation and passage of the 2019 Budget Statement and Economic Policy by this august House in November 2018, we have observed new trends in macroeconomic aggregates which pose fiscal risks and threaten to derail our fiscal efforts if necessary corrective policy measures are not timely applied.
90. Mr. Speaker, among other things, the following developments have warranted a revision to the 2019 macroeconomic framework:
  - relatively weak performance of the Ghana cedi against the US dollar, driven largely by external pressures, especially in the first quarter of 2019. The Ghana cedi depreciated cumulatively by 8.4 percent through end-June 2019;
  - lower-than-programmed Total Revenue and Grants (a 15.5 percent shortfall despite a 7.8 percent nominal growth);
  - faster rate of expenditure execution of 92.9 percent relative to a revenue mobilisation performance rate of 84.5 percent for the first half-year of 2019;
  - crystallisation of energy sector related contingent liabilities which were not programmed into the 2019 Budget and expenditures on regional security related concerns; and
  - lower than projected crude oil and gas volumes.



91. Mr. Speaker, in view of these developments, and consistent with Section 28 (2d) of Act 921, the 2019 GDP projections, as well as the 2019 Fiscal Framework has been revised to safeguard our public finances.

***Revision to real GDP growth rate***

92. Real GDP growth rate has been revised downward from 7.6 percent to 7.1 percent on the back of a relatively larger GDP base for 2018, as well as the lower projected crude oil and gas volumes.

***Revisions to the 2019 Fiscal Framework***

93. Mr. Speaker, to enable Government take precautionary measures in response to emerging security concerns arising from developments in the Region, the fiscal framework has been recalibrated to accommodate an overall budget deficit equivalent to 4.5 percent of GDP. This is 0.3 percentage point higher than the fiscal deficit target of 4.2 percent of GDP approved previously in November 2018 by Honourable Members.
94. Mr Speaker, this still remains, responsibly below the 5% ceiling we have legally set for ourselves, and we intend to honour it. Mr Speaker, there was a time when some president somewhere said, [and I quote] "I am not worried about the deficit. It is big enough to take care of itself." This is not the case here.
95. Mr. Speaker, this notwithstanding, the fiscal outlook for the remaining half of the year remains sound, even in the midst of strong domestic headwinds. The revised 2019 fiscal framework has carefully considered some measures in the second half of the year to safeguard the revised deficit target of 4.5 percent of GDP. We are. Therefore, confident that the implementation of these fiscal measures will enable Government to contain the fiscal deficit within the Fiscal Responsibility Act threshold of 5.0 percent of GDP. The fiscal measures are specifically geared towards improving domestic revenue mobilisation, reining in expenditures, as well as addressing some critical protracted structural issues in the energy sector.
96. Financing of the fiscal deficit for the second half of the year will be a balanced blend of foreign and domestic financing resources. Expectations are that, a World Bank Development Policy Operation (DPO) facility, estimated at US\$500 million, will be approved by this august House for disbursement in the second half of the year. Domestic financing is expected to moderate in the second half of the year, given the sizeable frontloading of financing requirements in



the first half of the year which were funded from this source. Proceeds from the monetisation of mineral royalties is also expected to moderate domestic borrowing in the second half-year.

### ***Revisions to Total Revenue and Grants***

97. Mr. Speaker, the revised Total Revenue and Grants is GH¢58.9 billion, 0.01 percentage point lower than the original 2019 Budget estimate of GH¢58,904.9 million.
98. Of this amount, non-oil Tax Revenue projected at GH¢43.1 billion, and is expected to be boosted by stronger performance from higher Corporate Income Taxes, Petroleum Excise Taxes and Domestic VAT in the second half of the year.
99. The effect of the reduction in the benchmark import values, which became effective from April 2019, will be mitigated by enhanced trade tax compliance following the introduction of additional efficiency measures at the ports, including operations by Meridian Port Services Ltd.
100. Non-Tax Revenues are expected to be enhanced by the proceeds from the sale of Electromagnetic Spectrum, as well as fees from the renewal of Telco's Licenses.

### ***Revisions to Expenditures***

101. Mr. Speaker, Total Expenditure (incl. arrears clearance) for the year is now estimated to be GH¢74.6 billion, about 1.6 percent higher than the 2019 Budget estimate of GH¢73.4 billion. Upward adjustments to Interest Payments reflect partly the effect of a higher exchange rate than programmed, as well as higher net domestic borrowing to meet some regional emergency security and energy expenses in the first half of the year. Additionally, upward adjustment in projected expenditures for Goods and Services are to meet critical expenses on security, among others.

### ***Revised Overall Budget Balance and Financing***

102. Mr. Speaker, the revised Overall Budget deficit is, therefore, programmed at 4.5 percent of GDP. This deficit target is consistent with our debt sustainability analysis for 2019 and the medium-term. The estimated World Bank DPO



facility of US\$500 million and the proceeds from the monetisation of mineral royalties are expected to moderate domestic borrowing in the second half of the year.

103. Mr. Speaker, the crystallisation of energy sector contingent liabilities in respect of take-or-pay contract obligations with Independent Power Producers (IPPs) estimated at GH¢5.1 billion for 2019 is being amortised, thus increasing the requirements for external amortisation above the amount originally provisioned for in the 2019 Budget.

### **Request for Approval of Supplementary Estimates**

104. Mr. Speaker, as a result of these revisions to the 2019 fiscal framework, the 2019 Appropriation of GH¢78,771,833,602.12 that was approved by this august House in November 2018 will not be adequate to cater for the additional programmed needs which will increase the total Appropriation to GH¢85,142,189,527.94. Government is, therefore, requesting Honourable Members to consider and approve an amount of GH¢6,370,355,925.82 as supplementary estimates to the original Appropriation of **GH¢78,771,833,602.12** to bring the revised total Appropriation for the 2019 Fiscal Year to GH¢85,142,189,527.94.
105. Mr. Speaker, consistent with Article 179 (8) of the Constitution, the request for a supplementary estimate is necessitated by additional precautionary expenditures in response to regional security developments and the amortisation of contingent liabilities associated with take or pay contracts which have crystallized.

### **2019 Midyear Revenue Measures**

106. Mr. Speaker, revenue measures including the sale of an Electromagnetic Spectrum, Telco's Licenses renewal, gains to be derived from the realisation of assets and mineral rights, and strengthening of compliance at the ports and others, are being pursued vigorously to ensure that the revised Domestic revenue target for 2019, which is some GH¢8.3 million below the original Budget projection, is not compromised.
107. Mr. Speaker, as part of Government's resolve to ensure that the 2019 Budget is implemented as planned, the following additional revenue measures are being proposed for the consideration and approval by Honourable Members.



- a. **Energy Sector Levies:** The Energy Sector Levies Act, 2015 (Act 899) restructured, rationalized and consolidated all the revenue legislation relating to the energy sector into one law. The object was to dedicate the levies to the energy sector and to promote prudent and efficient utilization of the revenue as well as facilitate sustainable long-term investments in the energy sector to enhance availability, regularity and reliability of supply. The dedication of these consolidated levies was to improve the poor balance sheets of the power sector utilities and relieve Government of the pressures of the sector in terms of reduced reliance on Ministry of Finance occasional direct funding.

The sector however continues to be exposed due to recurring debts and take or pay contracts. At the inception of the Act, it was estimated that approximately twenty-four percent of the ex-pump price of fuel would adequately cover the required financing. This percentage has dwindled over the years and is currently about seventeen percent due to inflation and currency depreciation.

With this Mid-Year review, Government is proposing an upward adjustment in the Road Fund Levy, the Energy Debt Recovery Levy; and the Price Stabilisation and Recovery Levy to bring the ratios close to twenty-one percent to help bridge the financing requirements.

- b. **Communication Service Tax:** The Communication Service Tax (CST) was introduced in 2008 at an ad valorem rate of six percent. The tax is levied on charges payable by consumers for the use of communication services. Government proposes to increase the tax to nine percent to develop the foundation for the creation of a viable technology ecosystem in the country. This will comprise amongst others putting in systems to identify and combat cybercrime, protect users of information technology and combat money laundering and other financial crimes. The increase will not be earmarked, however, the sharing ratio will be adjusted in such a manner that the national youth employment programmes continue to receive the same proportions as they are currently receiving.

- c. **Review of Luxury Vehicles Levy:**

Mr. Speaker, Review of Luxury Vehicles Levy: Government in 2018 introduced the Luxury Vehicles Levy to raise revenue. We have noted suggestions from the general public on the implementation of this tax and



Mr. Speaker, as a listening Government, we are proposing to the House, the withdrawal of the levy. We will continue to improve compliance, expand the tax net and explore other innovative sources of raising revenue.

## **UPDATE ON CRITICAL ISSUES IN THE ENERGY AND FINANCIAL SECTORS**

### **ENERGY SECTOR**

108. Mr. Speaker, I am happy to reaffirm that “dumsor” is history, and we are determined to ensure that it remains that way. However, we are facing serious challenges in the energy sector that pose grave financial risks to the whole economy. At the heart of these challenges are the obnoxious take-or-pay contracts signed by the NDC, which obligate us to pay for capacity we do not need. We must urgently address these challenges to protect the hard-earned economic gains we have made in the past two-and-a-half years and continue with our economic growth and jobs agenda to improve the lives of Ghanaians. This Supplementary Budget therefore proposes a number of bold measures to confront the issues to ensure that the energy sector delivers the services required by Ghanaians, while maintaining financial viability.

109. To be specific, the two main issues confronting the sector are:

- Firstly, excess electricity generation which was procured during the NDC regime from Independent Power Producers (IPPs), including Emergency Power Producers, at exorbitant prices under flawed take-or-pay contracts. Currently, according to the Energy Commission, the country has installed power generation capacity of 5,083 MW, dependable capacity of 4,593 MW and peak demand of around 2,700 MW. So, our installed capacity is almost double our peak demand. Notably, 2,300 MW of the installed capacity has been contracted on a take-or-pay basis. On average, less than 40 percent of the contracted take-or-pay capacity is actually used, meaning that we are basically throwing away money by paying for the remaining 60 percent of excess capacity which we do not actually consume. In monetary terms, what this means is that we are paying over half a billion U.S. dollars or over GH¢2.5 billion annually for power generation capacity that we do not need.
- Regarding gas, Ghana has contracted for around 750 mmscf per day by 2023. Current demand is around 250 mmscf per day, and this is projected to rise to between 450 and 550 mmscf per day by 2023. All things being equal, there is projected oversupply of 200 to 300 mmscf per day by 2023. About 640 mmscf of the contracted gas supply is on a take-or-pay basis, meaning we have to pay whether we use it or not.



From 2020, we will be facing annual excess gas capacity charges of between US\$550 and US\$850 million every year. Currently, for Sankofa Offshore Cape Three Points gas alone, we pay over \$51 million a month under a take-or-pay contract for 154 mmscf per day even though we only actually take 60 mmscf per day on average.

110. Additionally, there are still other challenges in the energy sector, including:
- electricity tariffs that do not cover the costs of non-portfolio Power Purchase Agreements (PPAs);
  - low collection, high technical and commercial losses;
  - absence of a proper system for measuring and paying for the costs of power for street lighting;
  - non-payment of utility bills by MDAs; and
  - a high level of net sector arrears of US\$2.7 billion (GH¢14.04 billion) as of January 2019.
111. Mr. Speaker, the total costs in the energy sector that Government had to cover in 2018 amounted to US\$520 million (GH¢2.7 billion). Moreover, by end-June this year, Government had made total payments of US\$604 million (GH¢3.14 billion), and if we do not urgently address the problems in the sector, the projected Government payments in 2019 will be at least US\$1 billion, (GH¢5.2 billion).
112. Our top technical experts, assisted by counterparts from the World Bank, have subjected the energy sector to a thorough analysis and produced the Energy Sector Reform Programme (ESRP), which identifies the key issues in the sector and proposes solutions. According to the ESRP, which has been approved by Cabinet, if we continue with business as usual in the energy sector, the costs to Government will increase over time to an accumulated total of over US\$12.5 billion by 2023.
113. Mr. Speaker, our macroeconomic stability and the hard-earned economic gains we have made are at serious risk of being derailed if we do not immediately take drastic steps to arrest these reprehensible legacy issues in the energy sector.
114. Just to put this in context, the over US\$1 billion (or over GH¢5 billion) extraordinary payment that Government is having to make in the energy sector this year and on an ongoing basis, if not addressed, is more than two times the amount of all of Government's social expenditures on goods and services, which includes Free Senior High School, our School Feeding Programme and Livelihood Empowerment Against Poverty (LEAP). It is no



wonder, therefore, that the NDC was convinced that we could not fund President Akufo-Addo's free SHS programme.

115. Mr. Speaker, in addition, these wasteful expenditures in the energy sector are one of the main causes of increases in end-user electricity tariffs, imposing hardships on Ghanaians. Similarly, this makes Ghana uncompetitive for manufacturing, thus holding back our industrialization and job-creation agenda. What's more, these wasteful payments are putting pressure on our foreign currency reserves and on the exchange rate.
116. Mr. Speaker, in Investment Banking parlance, the NDC Government's parting shot was an energy sector poison pill. But, Mr. Speaker, we are determined that the good people of Ghana will not drink this hemlock.
117. Mr. Speaker, we cannot allow this situation to continue. There is no doubt that the situation in the energy sector is shocking the economy and creating a state of emergency. And indeed, as in the case of what we have done in the financial sector, we must respond with the urgency and boldness dictated by the situation.
118. Consequently, Government has resolved as follows:
- to convert all Take-or-pay contracts to Take-and-pay contracts. Accordingly, starting August 1st 2019, Government is to pay for energy and gas that we actually consume. All Take-or-pay contracts will be renegotiated to convert to Take-and-pay for both PPAs and Gas Supply Agreements (GSAs). Government will seek Parliamentary ratification where appropriate;"
  - to suspend indefinitely or terminate all PPAs currently under negotiation;
  - to immediately place a complete moratorium on signing new PPAs and Put-Call Option Agreements (PCOAs);
  - to subject all future PPAs competitive and transparent procurement procedures. Government will therefore no longer entertain any unsolicited proposals.
  - to implement the economic merit order dispatch which means that the most efficient power plants will be dispatched first;
  - to improving the performance of the distribution utility and has agreed with the concessionaire a plan to reduce electricity losses and increase collections based on an agreed investment plan.



- to significantly shift in the medium-term, the energy mix to gas and renewables.
  - to implement the recommendations of the Energy Sector Recovery Programme (ESRP) as approved by Cabinet; and
  - to mandate the Energy Sector Task Force, as constituted by Cabinet based on the recommendations in the ESRP, to ensure and oversee the implementation of the sector recovery programme.
119. Mr. Speaker, you may recall that Government in 2017 issued the Energy Sector Levy Act (ESLA) Bond, which has, to date, raised almost GHS 6 billion on the back of ESLA levies to pay for legacy debts from the NDC's "dumsor days". The bond proceeds were used to liquidate approximately 60% of the energy sector legacy debts. Government proposes to increase the Energy Sector Levies by GHp 20 per litre for petrol and diesel and GHp 8 per kg for LPG, so as to increase the inflows to enable Government issue additional bonds to pay down our energy sector debt obligations. Based on current indicative prices for petrol and diesel this translates to GHp 90 per gallon.
120. In addition to the above, Government is also taking steps to:
- Relocate the Karpowership to Takoradi to immediately utilize Sankofa gas;
  - Increase power exports by extending the grid to other West African countries;
  - Streamline management of street lighting to ensure accountability and transparency in billing and payments;
  - Increase productive uses of electricity and natural gas to spur industrialization; and
  - Engage gas suppliers with a view to reducing the price of natural gas.
121. Mr. Speaker, these new measures will build on the earlier ones we have already taken over the last two and half years, which include:
- Termination of the Quantum Gas project in 2017;
  - Termination of one of the Takoradi LNG projects, ADM, with the other one, WAGL, in the process of being terminated;
  - Renegotiation of the AMERI PPA in 2018 to reduce costs by 13 percent;
  - Renegotiation of the capacity charge under the CENIT PPA, which has resulted in a 31 percent reduction and conversion of the PPA from Take-or-Pay to Take-and-Pay in 2019; and
  - Deferral of 8 and termination of 2 PPAs in 2017.



122. Mr. Speaker, with the additional measures we are introducing, we are going to clean up and sanitize the energy sector, just as we have been doing in the financial sector. These two sectors are fundamental to our agenda to grow the economy, create jobs, and bring prosperity to Ghanaians. Our Government is strongly supportive of the private sector and believes in fostering a strong legal, regulatory and enabling environment that supports private sector growth. However, we are not going to jeopardize our future through unbalanced contracts that benefit a few individuals and companies at the expense of the people of Ghana. Indeed, as His Excellency the President, Nana Addo Dankwa Akufo-Addo, said in his 61st Independence Day Speech on Ghana Beyond Aid: "We cannot subordinate the common good to build a prosperous nation to the selfish interest of a few." That is why this Government has decided to convert all the Take-or-Pay contracts to Take-and-Pay.
123. And in this, we are fully inspired by the great Reverend Dr. Martin Luther King, whose famous "Letter from a Birmingham Jail" reminds us that: *"One who breaks an unjust law must do so openly, lovingly, and with a willingness to accept the penalty. I submit that an individual who breaks a law that conscience tells him is unjust and who willingly accepts the penalty [...] to arouse the conscience of the community over its injustice, is in reality expressing the highest respect for law."*
124. We are determined, Mr. Speaker, to fight for Ghana. The road to Ghana Beyond Aid, Mr. Speaker, will require a spirit of courage, love, and self-discipline. Indeed, President Akufo-Addo's Government remains resolute in upholding the common good and shared participation in Ghana's prosperity. Mr. Speaker, Ghana first should resonate among all of us, as one people with a common destiny.

### **FINANCIAL SECTOR**

125. Mr. Speaker, the soundness of our financial system is essential for achieving macroeconomic stability and growth. In addition to providing substantial employment, banks, specialized deposit-taking institutions (SDIs) and fund management companies, as providers of credit, liquidity and investment, play a critical role in the effective functioning of our economy.
126. Mr. Speaker, the Bank of Ghana's bold measures over the last two years to clean up the banking and SDI sectors, involved the revocation of licenses of nine universal banks, 347 microfinance companies (of which 155 had already ceased operations) and 39 microcredit companies/money lenders (10 of which



had already ceased operations). These massive failures were brought about by several years of an unsustainable licensing regime which lowered standards for entry into the banking and SDI sectors, as well as poor supervision and enforcement from the Central Bank. This was compounded by poor corporate governance and risk management practices, family and friends managing and influencing banks, abuse of related party relationships and unsustainable business models.

127. Many of these institutions had denied depositors access to their deposits for a long period of time, creating liquidity challenges in the financial system, resulting in a high incidence of credit defaults in the system. The threats posed to the stability of the financial system and the economy at large were enormous, justifying the bold actions taken by the Bank of Ghana.
128. The Government has demonstrated its commitment to providing timely relief to depositors whose funds were at risk as a result of the demise of the defunct banks and SDIs. The Government, through a Purchase and Assumption programme, facilitated GCB's consolidation of two banks. The Government then set up the Consolidated Bank Ghana Limited and capitalized it with GH¢450 million to ensure that no depositor lost their deposits. The Government of Ghana has had to issue bonds to the tune of GH¢11.2 billion to cover the cost of the financial sector resolution and protect depositors. In addition, GoG had provided an amount of GH¢925 million in cash to cover the small depositors of the 386 microfinance institutions, bringing the total cost to GH¢12.125 billion.
129. Mr. Speaker, the Government's actions have restored confidence in the banking system. Through the Government's interventions, significant deposits held by some 2,655,100 depositors (1,525, 550 bank depositors and 1,129,820 MFI depositors) have been saved. Over 3,000 jobs have also been saved.
130. The Bank of Ghana's directive to banks to increase their minimum paid-up capital to GH¢400 million by 31st December 2018 has been successful. This injected fresh capital of GH¢4.2 billion into the banks. The Ghana Amalgamated Trust intervention is expected to lead to a strong indigenous Ghanaian presence in the banking sector.
131. Mr. Speaker, it is gratifying to note that these regulatory and policy measures undertaken to clean up the financial sector, have already begun to bear fruit.



132. Some have suggested that instead of revoking the licences of the now defunct institutions, the Bank of Ghana should have kept them going somehow. Some have even said that the previous regime was the “good doctor” that allowed these zombie institutions to continue albeit in their comatose state and would not do intensive and intrusive surgery, while the current administration is the “bad doctor” that came in to “kill or collapse” them. However:

- First of all, at the stage at which the current administration found the banking and SDI sectors, it was too late to salvage the already comatose financial institutions, and intensive and intrusive surgery was required for the many walking dead.
- Secondly, the failure of these institutions was caused primarily by poor governance and lax oversight by Boards of Directors and unlawful behavior of shareholders and related and connected parties who had plundered these banks’ deposits and resources.
- Thirdly, continuing to support these failing institutions would have been creating moral hazard for bank shareholders, directors, and managers whose actions or inactions would have been rewarded by the tax payer.
- By revoking the licenses of these insolvent institutions, the Bank of Ghana was acting according to its legal imperative, and did so in a manner that preserved depositors’ funds, saved a significant amount of jobs.
- And, let me be very clear here, we were at the precipice of a major fiscal melt down and let no one indulge in self-serving oratory. The end cost, Mr. Speaker, may be anywhere from USD 3 to 4 billion, a poison pill from the previous Government.

133. Mr. Speaker, the liquidation of the defunct institutions is progressing, albeit with impediments from persons whose unlawful actions were associated with the failure of these institutions having the audacity to seek legal cover. The Government’s financial interventions in the clean-up exercise were only a stop-gap measure necessary to help mitigate the socio-economic impacts of the failure of the relevant financial institutions. It is imperative that we all support the recovery of assets from persons who misappropriated or borrowed funds from these institutions and have failed or refused to pay back in order that liabilities left behind can be settled. To the extent of any recoveries made by the receivers/liquidators of these institutions, Government expects to recoup amounts it has spent so far to provide relief to depositors. This will go a long way to enable Government finance other priorities for our socio-economic growth.



134. Mr. Speaker, government continues to support effective regulation of the financial sector. We are confident that the Financial Stability Council recently established and inaugurated by His Excellency the President will work assiduously to promote a resilient financial system that supports our economic growth agenda. We are also fully committed to supporting the operationalisation of the Ghana Deposit Protection Scheme in September 2019 to further protect the interests of depositors.

### **National Housing and Mortgage Finance Initiative**

135. Mr. Speaker, as announced in the 2018 Budget, the government has started the National Housing and Mortgage Finance Initiative. The objective of this initiative – “Decent Homes, Better Life” is to provide quality housing to all citizens starting with public and civil servants. Two of the schemes under this Initiative: National Housing and Mortgage Scheme (NHMS) and Affordable Housing Real Estate Investment Trusts (REITs) have commenced.
136. Mr. Speaker, under the NHMS, funds have been released to three participating Banks (GCB Bank Limited, Stanbic Bank and Republic Bank) to commence the pilot phase of the Housing and Mortgage Finance Scheme. The NHMS in collaboration with the Ministry of Employment and Labour Relations is building a pipeline of potential home owners to participate in the scheme.
137. Mr. Speaker, government is also intervening in the housing market through Affordable Housing Real Estate Investment Trusts (REITs) to serve as a vehicle for rent-to-own schemes. The intention is for the REITs to buy properties and lease to public sector workers over an extended time and sell at predetermined values. The rental payments will count as equity; this will help new entrants into the workforce own properties without the initial huge down payment. Work on the REITs has started in earnest with GCB Securities, a subsidiary of GCB Bank.

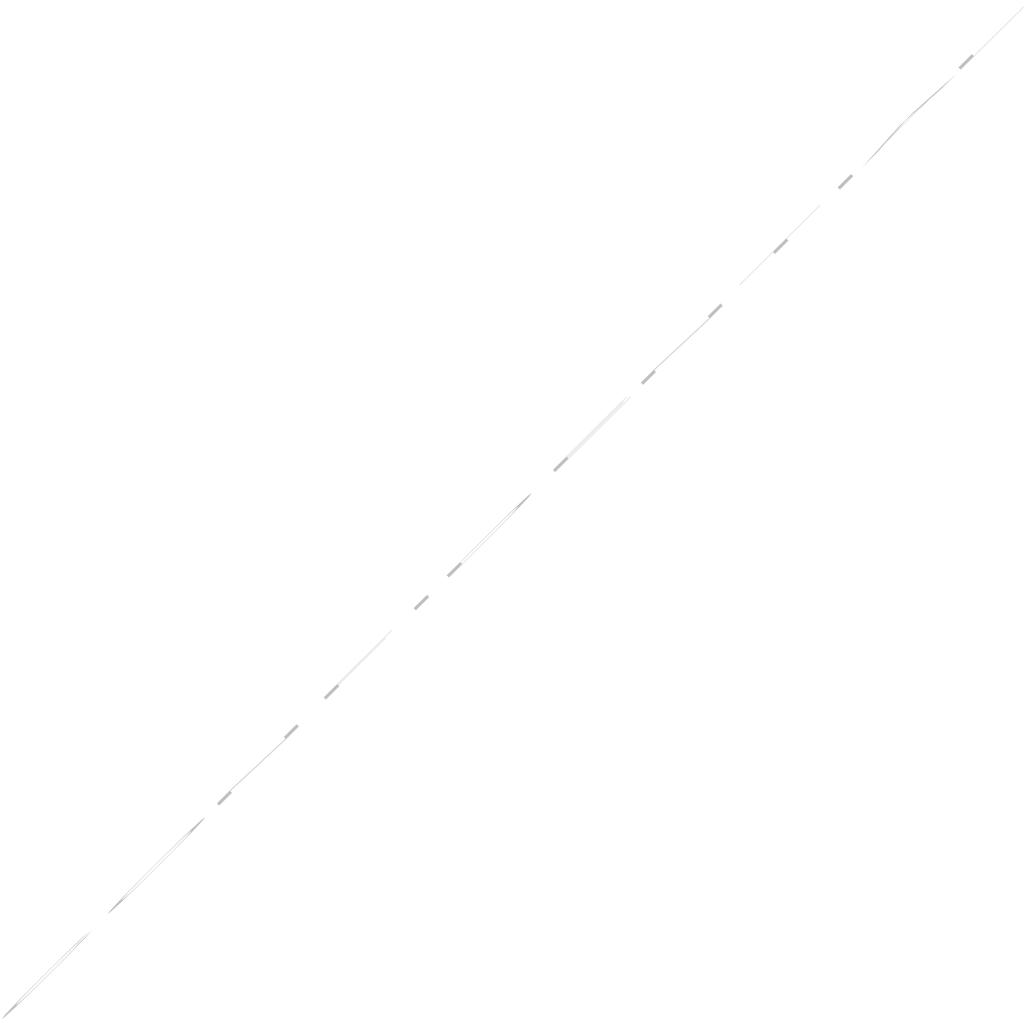
### **Insurance Industry Developments**

138. Mr. Speaker, the National Insurance Commission (NIC) has announced new minimum capital requirements for the insurance industry to address the challenge of low capitalization. The new minimum capital requirements are as follows:
- Life and Non-Life Insurers: from GH¢15 million to GH¢50 million;
  - Brokers and Loss Adjustors: from GH¢300,000 to GH¢500,000;
  - Reinsurance Brokers: maintained at GH¢1 million; and



- Reinsurers: from GH¢40 million to GH¢125 million.

139. The new minimum capital will apply immediately to newly licensed companies and existing insurance companies will have up to June 2021 to meet the new minimum capital requirements.



## **HIGHLIGHTS OF IMPLEMENTATION OF KEY INITIATIVES IN THE 2019 BUDGET**

140. Mr. Speaker, in line with the President's vision encapsulated in the Coordinated Programme of Economic and Social Development Policies (2017-2024) and the *Medium Term Development Plan, Agenda for Jobs; Creating Prosperity and Equal Opportunity for All Ghanaians (2018-2021)*, Government is pursuing various policy interventions and flagship programmes to pave the way for the accelerated socio-economic transformation of this country. These are consistent with the Ghana Beyond Aid Agenda, the United Nations (UN) Sustainable Development Goals (Agenda 2030) and the African Union Agenda 2063.
141. These priority programmes are intended to be catalyst for building a strong economy by stimulating job creation; expanding infrastructure; modernizing agriculture and the industrial sectors; improving human capital and skills development; and enhancing access to social services.
142. Mr. Speaker, with your permission, I would like to highlight the progress and achievements of some of the major programmes being implemented in the 2019 fiscal year.

### **AGRICULTURAL MODERNISATION**

143. Mr. speaker, the government's agriculture modernisation programme aims at ensuring reliable production of agriculture produce which will be the basis of our industrialisation, job creation and export drive as well as help reduce the amount of foreign exchange spent on imports. These are being delivered through our flagship initiatives: the Planting for Food and Jobs Programme; the Rearing for Food and Jobs Programme; and Planting for Export and Rural Development, among others.
144. Mr. Speaker, since the onset of the Planting for Food and Jobs Programme in 2017, domestic food production has increased significantly. Maize yields increased by 72 percent, rice by 24 percent, soyabean by 39 percent and sorghum 100 percent.
145. Mr. Speaker, as at June 2019 under the Fertilizer and Seed Subsidy component of the programme, about 40 percent of targeted farmers have been covered comprising only farmers in the Southern sector since the Northern sector planting season is yet to start.



146. Construction of 30 warehouses (1,000 metric tonnes capacity each) are underway across the country to provide storage facilities and reduce post-harvest losses. As at end June, five warehouses have been completed at Kwame Danso, Bole, Yagba, Dzodze and Chindiri.
147. Mr. Speaker, in June this year His Excellency the President, launched the "Rearing for Food and Jobs" programme. To date, a total of 53,500 livestock (sheep, pigs, cockerels and guinea fowls) have been distributed to some beneficiary farmers.
148. With regards to the management of Fall Army Worm infestation, as at May 2019, a total farm area of 34,396ha was sprayed and recovered. This prevented the loss of about 106,627 metric tonnes of maize valued at about GH¢170.60 million. So far, 79,560 litres and 7,162.40kg of various kinds of pesticides have been utilized in the southern sector. Additional quantities of 10,000 litres and 13,500.00kg of pesticides have been supplied for use during the minor season.
149. Mr. Speaker, the Greenhouse village at Dahwenya has trained a total of 231 students. The new facility at Akumadan has been completed with training scheduled to start in the third quarter of the year. The Bawjiase Green house will be completed by the end of the year. Under the first phase of the project, each facility is expected to produce about 325,200kg of assorted vegetables (tomatoes, cucumber, pepper and lettuce) valued at about GH¢6.4 million. This is expected to create 35 to 45 direct and five indirect jobs per centre.
150. The Ministry completed the Guo and Piiyiri dams making available 36ha of irrigable land for cropping, while the Tamne and Mprumem dams are at various stages of completion. These additional dams, when completed, will add a total area of 520ha for all year round cropping. Under the One Village One Dam initiative, contracts for the construction of 14 small dams and 100 solar powered groundwater irrigation systems have been awarded.

## **INDUSTRIALISATION**

151. Government is aggressively pursuing an industrialization agenda with the objective of widening the opportunities for job creation and expanding the economy through accelerated technology-based manufacturing and aggressive export promotion. Government is also actively promoting marketing and distribution of domestically produced goods.

### **One District, One Factory (1D1F)**



152. Mr. Speaker, the IDIF initiative was designed to support the private sector to establish at least one industrial enterprise in every district. Currently, 181 projects are at various stages of implementation, spread over 110 districts across the 16 regions of the country. As at mid-year, 57 projects were in operation providing 10,753 direct jobs and 43,094 indirect jobs. An additional 33 projects financed by local Partner Financial Institutions (PFIs) will commence operation by the end of 2019.
153. Additionally, eight large scale processing plants are expected to begin operations by December 2019. Government has also secured funding to commence the construction of 56 small scale processing facilities and five common user processing facilities for organised farmer groups by the end of December, 2019.
154. A total of GH¢430.7 million has been mobilised from local financial institutions to support the programme. Furthermore, government has sourced external funding and credit lines in the sum of US\$700million to address access to finance challenges. Exim bank's facility of US\$ 300 million with the US Exim will accelerate the 1D1F program.
155. Mr. Speaker, in order to enhance the competitiveness of the 1D1F companies, government obtained Parliamentary approval for a package of incentives including: a 5-year tax holiday; exemption from duties, taxes and levies on imported machinery, equipment and parts and selected raw materials not already exempted by law for 1D1F companies.
156. Government is collaborating with the private sector to facilitate the establishment of a number of modern Industrial Parks and Special Economic Zones (SEZ). The following parks are currently under development:
- The Dawa Industrial Park at Dawa on the Accra–Aflao Highway currently has 2,000 acres fully developed out of 22,000 acres available land; and
  - West Park Industrial Estate at Shama in the Western Region is constructing onsite infrastructure for its 400-acre industrial park.

### **Integrated Aluminium Development Programme**

157. Mr. Speaker, our efforts to drive the industrial transformation and accelerated development of the country through the Integrated Aluminium Development Programme remains on course. The Ghana Integrated Aluminium Development Corporation (GIADEC) successfully launched a three round investor engagement process in March, 2019. Round-one of the investor engagement covering mining, refining, smelting and power was concluded and 16 firms were shortlisted to progress to round two which will be launched



in August, 2019. The investor engagement will be completed by the end of the year.

## **INFRASTRUCTURE DEVELOPMENT**

158. Government seeks to ensure rapid expansion of infrastructure in an integrated manner in order to transform the economic and social lives of Ghanaians.

### **Road Sector**

159. Mr. Speaker, in the 2019 Budget Statement and Economic Policy, government made a commitment to undertake massive infrastructure development from a variety of funding sources.
160. Mr. Speaker, I am glad to announce that four out of ten projects to benefit from the first phase of the Sinohydro facility have commenced. His Excellency, the President cut the sod for the Tamale Interchange on 10th April, 2019. The other three projects namely Western Region and Cape Coast Inner City roads, selected feeder roads in Ashanti and Western regions, and Hohoe-Jasikan-Dodi-Pepesu are at the design phase.
161. The second phase of the Sinohydro Project is at the planning stage. An additional 1,300km of roads, three interchanges and 69 steel bridges are under consideration for implementation.
162. Mr. Speaker, the people of the Upper East region will be happy to learn that financing arrangements have been completed for the restart of the Bolgatanga-Bawku-Polmakom road in a few weeks.
163. Mr. Speaker, in order to improve the road conditions and protect lives and properties across the country, government has programmed a number of projects to commence in the course of the year. The projects include:
- Osiem-Begoro road;
  - Kwabeng-Abomosu-Asuom road;
  - Anwiankwanta-Obuasi road;
  - Mampong Kofiase road;
  - Kwabeng Akropong road & Akropong town roads;
  - Nsuta – Beposo road;
  - Salaga – Bimbilla road;
  - Kwadaso – Trabuom road;
  - Adankrono – Kade – New Abirem road;
  - Atronie – Mim road;



- Asuom – Subi – Kade road;
- Akropong – Pramkese – Adankrono road;
- Odumasi – Adenta – Badu road;
- Akrodie-Sayereso
- Bediako-Kasapin-Camp15
- Tapa-Boma
- Kofiekrom 3 No. 1.8 Pipe Culvert
- Obuasi Town Roads
- New Dormaa-Yawhima
- Menji-Bui
- Sampa-Jinijini
- Dormaa Town Roads
- Atebubu-Kwame Danso
- Kintampo-Abeasi-Prang
- Atebubu Town Roads
- Twifo-Praso- Assin Fosu
- Swedru-Bawjiase-Adeiso
- Ayanfuri-Takyikrom
- New Abirem -Ofoasekuma
- Suhum-Asamankese-Oda
- Asamankese Town Roads
- Bunkpurugu-Nalerigu
- Nalerigu Gbintiri
- Wulugu-Kpasenkpe
- Prima-Misio Bridge
- Zabzugu- Nakpali
- Bimbilla-Jilo-Asafoatse
- Gushegu-Gbandaa-Nalerigu
- Dambai Town Roads
- Nkonya-Wurapong-Kwamikrom
- Jasikan-Worawora
- Bunjai-Fufulso
- Daboya-Mankarigu
- Salaga-Kpandai
- Chuchulga-Sandema-Wiase
- Bolga-Naaga
- Wa-Bulenga
- Fian Issa-Wahabu
- Wahabu-Funsi-Yaala
- Wechau-Ga
- Bawdie-Sureso-Samreboi



- Essiama-Nkroful-Aniben-Anyinase
- Aboso-Junction-Huni Valley-Damang
- Sefwi-Dwenase-Nsawora
- Asawinso-Kojina Esaakrom
- Bibiani and Awaso Town Roads

## **COCOA SECTOR**

164. Mr. Speaker, for the 2018/19 crop year, an amount of US\$1.3 billion was raised in the syndicated loan market at a margin of LIBOR plus 60 basis points. The loan was raised to fund cocoa purchasing operations and support other key activities in the cocoa sector. COCOBOD repaid the US\$1.3 billion syndicated loan ahead of schedule in July 2019 instead of the scheduled date of August 2019. This is due to prudent financial management. For the 2019/2020 season, amount of US\$ 1.3 billion will be syndicated by COCOBOD for cocoa purchasing operations.
165. Mr. Speaker, the current world cocoa price still remains low since the downward trend experienced in the 2017/2018 crop year. As a result of the low world market price, cocoa revenues continued to diminish to a level that Government had to forfeit its share of the FOB price (in export duty payments) in the second year running. This is part of Government's effort to protect our cocoa farmers from market price volatility and income uncertainties. Government has however kept faith with our cherished cocoa farmers by maintaining the farm gate price at GHS 7,600 per tonne. This is meant to ensure that no loss of income to the cocoa farmer arises due to the low international price of cocoa.
166. During the 2017/18 season, COCOBOD purchased 904,000 metric tonnes of cocoa. For the 2018/19 season which is expected to close at the end of September 2019, a crop size of 900,000 tonnes was targeted. The current achieved crop size is 794,841 tonnes representing 88.32% of the forecast.
167. Mr. Speaker, in addition to the annual syndicated loan of US\$ 1.3 billion, COCOBOD has initiated processes with the African Development Bank (AfDB) to raise additional US\$600 million, seven-year long term facility for the implementation of Productivity Enhancement Programmes (PEPs) and other initiatives. The programmes include, hand pollination/pruning of cocoa farms,



rehabilitation of diseased and over-aged farms, irrigation in dry seasons, farmer database etc.

168. The loan was at the instance of the joint request made by the Presidents of the Republic of Ghana and Cote D'Ivoire to the AfDB to support the revamping of the cocoa industries in the two countries and put in strategies to take control of the price of cocoa on the international market.

## **2.0 Floor Price**

169. Mr. Speaker, the world market price of cocoa dropped from US\$2,950/tonne in 2016 to an average of US\$2,080/tonne in 2017 representing about 30% reduction. Although Government continues to pay farmers GHS7,600/tonne as in 2016, the world market price has remained low for the past three years. In the face this challenge, Ghana and Cote d'Ivoire represented by COCOBOD and le Conseil du Café-Cacao, the two leading producers of cocoa beans (65%) decided to engage buyers of cocoa to accept a premium of US\$400/tonne above the terminal market price to support the income of our cherished cocoa farmers.
170. Mr. Speaker, after extensive stakeholder consultation and engagement, the buyers have accepted to pay the US\$400/tonne which is christened Livelihood Income Differential (LID) for Ghana and Cote d'Ivoire cocoa beans. We wish to say that this is the first of its kind in the history of cocoa sales in the world and is a major achievement for the NPP Government and an indication of the Government's determination to seek a fair share of the multi-billion dollar cocoa value chain.
171. Mr. Speaker, we should not lose sight of the fact that the cocoa industry directly supports about 800,000 farmer families and such a major policy will improve significantly the living standards of majority of Ghanaians.

### **Cocoa Roads**

172. Mr. Speaker, works has resumed on cocoa roads involving upgrading, routine and periodic maintenance activities of 1362km of trunk roads, 1389km of feeder roads, and 183km of urban roads. The roads include:
- Obuasi Jn - Dunkwa - Ayanfuri Road;
  - Have - Hohoe Road;
  - Hohoe-Jasikan Road;
  - Benchema Junction (Barrier)-Adwofua Road;



- Sefwi Wiawso-Akontombra Road; and
- Cape Coast-Twifo Praso Road and Access Road to Kakum National Park.

173. Further, 450 feeder roads and 20 trunks roads covering 4500km and 500km respectively have been programmed by COCOBOD and the Ministry of Roads and Highways for construction, upgrading, rehabilitation and routine maintenance activities. They include:

- Odumase-Kwatire-Bada (15.00km)
- Bayerebon No.3 – Nyame Bekyere (25.60km)
- Nkranfo Nkwanta – Agrave (56.00km)
- Akim Manso – Osenase (18.10km)
- Kwahu Nsaba – Akoase (29.50km)
- Chiraa - Akroasua – Adrobaa (17.50km)
- Akrodie – Asumura (13.70km)
- Assin Fosu – Twifo Praso (8.00km)
- Brofoyedru – Akenkasu (15.00km)
- Sankore-Cocoa Station (12.00km)
- Dapaa - Dapaa Bunkusie (15.00km)
- Asato – Apesukubi (20.00km)
- Tokokoe – Shia (18.00km)
- Akrokrowa – Asukawkaw (20.00km)
- Bayerebon No. 3 - Nyame Bekyere (25.60km)
- Konogo – Nsiakrom (24.00km)
- Ankaase - Kensre - Pampaso – Homase (25.00km)
- Poana Jnc - Ntinanko (12.00km)
- Menang Nkwanta - Subin Camp (15.00km)
- Wassa Akropong - Saaman - Adansi (15.00km)
- Bepoh - Dawurampong – Dunkwa (30.00km)
- Nsawora Junction - Yawkrom - Bodi (23.00km)
- Adeisu-Wantram-Jukwa (17.00km)
- Asawinso - Merewa – Nkronna (21.00km)
- Shama Junction - Botogina - Adanse (45.00km)
- Gwira Ahomkakrom - Qwira Tabakrom (30.00km)
- Ateiku - Appiasuman - Bonsaho (15.00km)
- Odoben - Nanakese - Ansaikwaa – Tweredua (18.00km)

### **Railways Sector**

174. Mr. Speaker, the development of the transportation network, including a modern railway system to facilitate vibrant economic activities is a high



priority of Government. In this regard, government has initiated several projects in the railway sector.

175. The Ghana Railway Company Limited has completed the rehabilitation of the 30km narrow gauge railway line from Accra to Tema which has enabled the restoration of passenger rail services on the corridor. The Achimota to Nsawam line (40km) has also been rehabilitated and test runs have commenced in anticipation for the relaunch of the sub-urban commuter rail services from Accra to Nsawam to ease traffic congestion on the corridor. Preparatory activities have also commenced for the extension of the narrow gauge rehabilitation works to Koforidua.
176. The engagement of a strategic investor for the development of the 303km Eastern Railway Line on standard gauge, from Accra to Kumasi with a branch line from Busoso to Atiwa through Kyebi on a Build, Operate and Transfer (BOT) basis with Ghanaian participation is at the final stages of procurement. Work is expected to commence before the end of the year.
177. The rehabilitation of the Kojokrom-Tarkwa section of the Western railway line (56km, narrow gauge) is progressing steadily and currently the project is 60 percent complete and employs over 300 people.
178. The construction of the 22km standard gauge Kojokrom-Manso section of the Western railway is being undertaken in two phases. Phase I (Kojokrom-Eshiem) is 45 percent complete and a major railway bridge is under construction at Eshiem.
179. Mr. Speaker, significant progress has been made on the Tema-Mpakadan (Akosombo) rail line. The status of the project currently stands at about 45 percent and is expected to be 58 percent complete by the end of 2019. The scope of the project has been revised to include a major railway bridge across the Volta Lake between Senchi and enters the Volta Region at Adomi.
180. Feasibility studies on the proposed railway interconnectivity project between the Port of Tema and Ouagadougou, is also receiving attention. The project is being implemented jointly by the Governments of Ghana and Burkina Faso.
181. Mr. Speaker, feasibility studies have also been undertaken on the proposed 670km greenfield railway corridor from Kumasi to Paga, popularly known as the Central Spine. In April, 2019, a contract was signed for the development of the first phase from Kumasi to Bechem, a distance of about 103km.



182. Mr. Speaker, the old Railway Training School and two workshops located at Essikadu, have received major refurbishments and facelifts. The training school is to be upgraded and equipped with modern teaching and learning facilities to enhance capacity building and skills development for the Railway Sector.

**Fish Landing Sites:**

183. Mr. Speaker, I am happy to announce that His Excellency the President has cut the sod for the construction of the Axim and Moree Fish landing sites. Work on the remaining fish landing sites along the coastal stretch has commenced. These are James Town, Dixcove, Elmina, Mumford, Winneba, Senya Bereku, Keta, Gomoa Feteah and Teshie.

**Infrastructure for Poverty Eradication Programme (IPEP)**

184. Mr. Speaker, in order to accelerate the provision of basic infrastructure in rural and deprived communities, a number of projects are being implemented under the Infrastructure for Poverty Eradication Programme (IPEP). They include:

- 300 small earth dams to support all year round farming activities;
- 50 pre-fabricated warehouses to improve post-harvest management to be completed by December, 2019;
- 1,000 community mechanised solar powered water systems to be completed by September, 2019;
- 1,000 community and institutional water closet toilet facilities with mechanised solar powered water systems to be completed by December, 2019; and
- the construction of 50 rural markets and two urban markets to commence before the end of the year.

185. Mr. Speaker, as part of efforts to ensure equitable and easily accessible universal health coverage, government has established Letters of Credit to procure 275 Ambulances for each constituency. In addition, contracts were awarded for the construction of 26 clinics which are expected to be completed in December, 2019.

**Inner-City and Zongo Development**

186. Mr. Speaker, the Zongo Development Fund seeks among others to improve the quality of life in Zongos and inner-cities through the provision of critical infrastructure, education and training, health and sanitation, support to local businesses and centres of culture, as well as improve security.



187. Government has granted commencement approval for the following projects to be implemented in a number of Zongo communities across the country:
- Construction/ rehabilitation of water systems;
  - Rehabilitation of access roads;
  - Paving of alley ways;
  - Construction and dredging of drains;
  - Construction of bailey bridges;
  - Construction of local sewerage networks;
  - Construction/rehabilitation and furnishing of basic schools; and
  - Construction of institutional and household toilets.
188. In addition to the development of infrastructure in the communities, 250 youth in Accra and Kumasi have benefitted from skills training in software development and 50 beneficiaries provided with laptops to establish their own businesses.
189. Over 500 women have also been trained in entrepreneurship and business development under the "Zongo Cuisine Promotion Programme" in the Greater Accra region. Participants received training in packaging, food safety, business registration, record keeping, among others.

### **Sanitation and Water Resources**

190. The broad objective of the sanitation programme is to ensure effective management of solid and liquid waste within the country. This supports the President's vision of making Accra the "Cleanest City in Africa" and by extension to all the regions.
191. Mr. Speaker, to facilitate the proper disposal of solid waste, 2,000 public litter bins are being placed at vantage public points in the Greater Accra and Ashanti regions. Additional 3,000 litter bins are being procured for other regional capitals and MMDAs.
192. Government has begun negotiations with prospective land owners to purchase 65.5-acres of land at Ayidan, in the Ga South Municipality to develop a mechanized disposal site to serve the Greater Accra Metropolitan area.
193. Under the Sustainable Rural Water and Sanitation Project, 338No. out of 500 targeted communities have attained open defecation free status as a result of the construction of 9,241 household toilets.
194. Under the Greater Accra Metropolitan Area Project, 22,500 household toilets, benefiting 180,000 low income beneficiaries and 260 institutional sanitation



facilities to serve 200,000 school pupils have been completed. The construction of high capacity storm drain at Kaneshie First Light to address the perineal flooding of the area is also ongoing.

195. Mr. Speaker, the Ministry has initiated various processes for the construction of additional 2,000 household toilets as well as 25No. 12-Seater institutional toilets for various public institutions across the country.
196. In order to enforce sanitation by-laws across the country, MMDAs are deploying Sanitation Guards within their jurisdiction to check sanitation offences. Guards within the Kpong and Kumasi Metropolitan Assembly have been inaugurated.
197. The Ministry of Sanitation and Water Resources awarded contracts for the construction of 750 boreholes and 50 limited mechanized schemes for selected rural communities within the country.
198. Financing has been secured for the implementation of the Yendi Water Supply Project to serve 133,000 people in the Yendi Municipality and beyond. Additionally, Parliament has approved the construction of the Tamale and Damango Water Supply Project which is expected to produce 30 million gallons of water daily to serve Yapei to Damango and surrounding communities.

### **PRIVATE SECTOR AND ENTREPRENEURSHIP DEVELOPMENT**

199. The private sector and entrepreneurship development objective is to transform the economy and place Ghana as the most business friendly country in Africa. The medium term focus is to grow domestic businesses and expand the private sector to create ample employment opportunities, especially for the youth and take Ghana beyond aid.
200. Mr. Speaker, a number of interventions are being implemented to support businesses as well as improve the enabling environment and Ghana's competitiveness and ranking. These include ongoing reforms to improve business registration, issuance of construction permits, access to electricity, trading across borders, paying taxes, enforcing contracts and registering property. As a result of these interventions, Ghana moved up six places from 120 to 114 in the 2019 Doing Business Rankings of the World Bank Group.

### **The New Companies Act, 2019**



201. Mr. Speaker, this August House on 2<sup>nd</sup> May, 2019 passed the new Companies Act. The Act introduced various key provisions which has aligned our corporate governance regime to global best practices. These include the following:

- Shareholders can now enforce the rights of their company through derivative actions, which enforces the company's rights, distinct from the personal rights of the shareholders;
- provision for the identification of members and beneficial owners of companies who are politically exposed; and
- A requirement for Company Secretaries to possess relevant professional qualifications, among others.

### **African Continental Free Trade Area (AfCFTA)**

202. Mr. Speaker, Ghana won the bid to host the secretariat of the African Continental Free Trade Area. This is the first time Ghana is hosting an African institution of this importance. The AfCFTA is the world's largest Free Trade Area in terms of number of people, covering 54 countries with a population of an estimated 1.2 billion people and a Gross Domestic Product (GDP) of \$3.0 trillion (5 percent of global GDP).

203. The AfCFTA will lead to the removal of tariffs and non-tariff barriers between African countries and thereby promote intra-regional trade from the current low level of 16 percent to over 60 percent by 2022 as well as increase Africa's share of global trade.

204. It is expected that by hosting the Secretariat, Ghana as a regional hub will become a reality and the service sector particularly the hospitality sector will experience a major boost through increased international exposure. Several direct and indirect jobs are expected to be created.

205. Mr. Speaker, in view of the various reforms and implementation of the government's priority programmes we believe that Ghana is well positioned to take advantage of the Free Trade Area. As part of measures to ensure that Ghana derives maximum benefit from the AfCFTA, a National Strategy and Action Plan will be developed to boost Industrial Production and Exports.

### **National Entrepreneurship Innovation Programme (NEIP)**

206. Mr. Speaker, the National Entrepreneurship Innovation Programme seeks to improve the entrepreneurial capacity of Ghanaians particularly the youth in order to create jobs and also develop an innovative business environment for socio-economic development.



207. The Ministry of Business Development has instituted a structured business entrepreneurial training programme for young entrepreneurs. Between January and June 2019, over 2,000 young entrepreneurs drawn from the 16 regions of the country were trained in modern business practices. An additional 12,000 were also trained under the Presidential business support programme.
208. The Students Entrepreneurship Innovation Program (SEI) was launched at the University of Ghana Business School to deepen the entrepreneurship culture among students. Consequently, 30,000 university students are participating in entrepreneurship clubs in various universities across the country. Funding was also provided for over 100 disabled women entrepreneurs to support them to scale up their businesses.
209. Mr. Speaker, under the Green Business Initiative, 75 Green Houses (Domes) were built to train young entrepreneurs in Agri-business at Dawhenya in the Greater Accra Region. Over 700 young graduates have been engaged under the initiative.

#### **Microfinance and Small Loans Centre (MASLOC)**

210. The key objective of the Microfinance and Small Loans Centre (MASLOC) is to provide loans to small businesses and start-ups in the informal sector.
211. Under the MASLOC- Small and Micro Loans programme, 22,396 beneficiaries have been supported as at end June. The micro enterprise sub-sector accounted for 80.6 percent of total loans disbursed, the agro marketing sub-sector, 13.5 percent and the remaining 5.9 percent was disbursed to applicants engaged in food crop production, poultry and the alternative livelihood sub-sectors.
212. Mr. Speaker, as a result of pragmatic measures including the establishment of a regional recovery taskforce to enhance efficiency at MASLOC, the loan recovery rate improved from 22 percent in 2016 to 65 percent as at mid-year. This achievement will be further enhanced with the upcoming implementation of an integrated accounting software to improve data collection.

#### **SOCIAL INTERVENTION POLICIES**

213. The overall goal of Government's social development policies and programmes is to create a fair and inclusive society, with opportunities for all. In this regard, Ghana has been implementing major social protection interventions including the Free Senior High School programme, Livelihood



Empowerment Against Poverty (LEAP), and School Feeding programme amongst others. These are aimed at eradicating poverty and minimizing inequality among socio-economic groups and between geographical areas.

### **Free Senior High School Programme**

214. Mr. Speaker, the free SHS programme is currently in the second year of implementation. A total of 432,791 first year students were enrolled for the 2018/19 academic year representing a 19.5 percent increase over the previous year's figure of 362,108. This brings the total number of beneficiaries to 794,899 since the inception of the free SHS programme. In September, 2019, the third cohort of Senior High School students will be enrolled making senior high education free for all for the first time in our history.
215. The successful implementation of the Free SHS programme has resulted in an increase in demand for secondary education. To meet this demand and ensure that no child is left behind, government introduced the double track school calendar as a temporary measure in 394 senior high schools and employed additional 8,872 teachers in order to ensure effective teaching and learning in the schools.
216. Mr Speaker, in order to facilitate the phasing out of the double track system, the Ministry of Education initiated a total of 804 infrastructure projects of which 413 are expected to be completed in November, 2019 for use in the 2019/20 academic year, with funding from the Ghana Education Trust Fund (GETFund). Eighteen workers on average are employed on each project site.
217. Mr. Speaker, in addition to improving access, an Academic Intervention Programme was introduced in the 2018/19 academic year in all public Senior High Schools to improve academic performance of students. The programme identifies weak students, especially those performing below achievement standards and provides coordinated and individualized support in after school, evening and weekend programmes.

### **Nation Builders Corps (NABCO)**

218. In the 2019 Budget statement, government announced its intention to recruit and place into active work, 100,000 young tertiary graduates for a maximum of 36 months. As at mid-year, 97,373 beneficiaries had been placed under the seven modules of the scheme across the country.
219. Mr. Speaker, government established a virtual training portal, the NABCO Talent Academy, to further enhance the skills of beneficiaries and position them for permanent employment and entrepreneurship.



### **Nursing Trainee Allowances and other interventions**

220. Mr. Speaker, government continues to implement programmes to ensure Ghana achieves Universal Health Coverage (UHC) and that all citizens in Ghana have timely access to high quality health services and interventions. These include:
- the extension of specialised outreach services to the community levels;
  - continuous implementation of Community Health Planning and Services (CHPS); and
  - provision of district hospitals.
221. Mr. Speaker, due to deliberate Government actions to improve the human resource base in the health sector, the nurse to patient ratio in the country has reached 1:839 which is superior to the WHO benchmark of 1:1000. Government has also since 2017, restored the nursing trainee allowances. The first and second quarter allowances for 2019 was paid to a total of 51,000 trainees.
222. As a result of these interventions, we are able to produce enough nurses to meet domestic requirements and deploy some to support other countries. In this regard and in line with the National Human Resource Policy, plans are underway to formalise the migration of nurses to foreign countries beginning with Barbados, United Kingdom amongst others.
223. In April this year, the medical drone delivery service to CHPS compounds, health centres and hospitals commenced in Eastern and Ashanti regions and is expected to be extended to the Northern and Western regions by the end of the year. In June 2019 alone, as many as 195 drone deliveries (comprising 44 blood products and 151 medical supplies) were made to various health facilities.
224. The rehabilitation and upgrading of Tamale Teaching Hospital Project Phase II was completed and commissioned in February, 2019. The construction and equipping of five polyclinics in the Greater Accra Region at Adentan (Obojo), Ashaiman, Bortianor, Oduman and Sege was also completed and commissioned in June, 2019. A number of projects in the sector are also on-going.

### **Livelihood Empowerment Against Poverty (LEAP)**

225. Under the LEAP programme, a total of 330,438 households are receiving LEAP grants. This is an increase over the 213,044 households reported in the 2019 budget representing a percentage increase of 35.5 percent. Two cycles of



regular LEAP payments were made as at June, 2019 to these households, covering 1,420,883 extremely poor individuals.

226. Currently, the programme pays grants to beneficiaries bi-monthly as follows:
- A one-member household -GH¢64.00;
  - two-member household - GH¢76.00;
  - three-member household - GH¢88.00; and
  - four-member household and above GH¢106.00.
227. The LEAP programme has instituted a re-certification and graduation strategy to wean off beneficiaries whose circumstances have improved and no longer qualify to be on the programme.

### **Ghana School Feeding Programme**

228. Mr. Speaker, government continued to implement the Ghana School Feeding Programme. Currently, the programme serves about 2.6 million pupils (up from 1.6 million in 2016) in 8,676 primary schools with one meal every school-going day.
229. Mr. Speaker, in order to improve the effectiveness and enhance the management of the programme, financial and operational controls are being strengthened to reduce waste and improve linkages with local farmers.

### **OTHER CRITICAL PROGRAMMES**

#### **2020 Population and Housing Census**

230. Mr. Speaker, the year 2020 marks 10 years since the last census in Ghana. In this regard, the government has initiated steps to conduct the Population and Housing census next year. The Ghana Statistical Service (GSS) has commenced a number of preparatory activities including the conduct of the trial census and mapping out enumeration areas in 130 out of the 260 districts in the country. Following the exercise, a total of 21,590 out of 37,000 enumeration area maps have been updated.
231. The census mapping exercise is expected to be completed by September, 2019. Arrangements for procuring the required logistics and recruitment of about 70,000 field staff are underway in preparation towards the main census.

#### **Referendum and District Level Elections**

232. Mr. Speaker, pursuant to government's commitment to have DCEs elected into office, preparatory activities for a referendum to determine whether or not Metropolitan, Municipal and District Chief Executives (MMDCE's) should



be elected on partisan lines are underway. The referendum will be held alongside the District Assembly and Unit Committee Elections (DAE and UCE) in December, 2019. To this end, two draft Constitutional Instruments (CIs) to regulate the conduct of the District Level Elections and Referendum have been completed.

### **Preparation towards the 2020 Elections**

233. The Electoral Commission has completed the limited registration exercise as part of arrangements for the revision of the voters register for the 2020 elections. This will pave way for the exhibition of the voters' register and nomination of candidates.
234. In order to ensure the integrity of the Electoral process, the Commission is working towards deployment of a modernized Biometric Registration and Verification Solution.

### **National Identification Programme**

235. Mr. Speaker, the Ghana Card Registration exercise commenced with institutional registration and enrolment from June 2018 to March 2019. The mass registration exercise which started in Accra in April, 2019 has so far enrolled 1,793,207 Ghanaians. A total of 1,195,415 cards have been printed as at the end of June, 2019. In addition, 12,923 foreigners were enrolled unto the Foreigner Identification Management System (FIMS) with 9,634 cards printed so far.

### **Forward Operating Base**

236. Mr. Speaker, on 23rd September 2017, Ghana successfully defended its maritime boundary dispute with Cote D'Ivoire when the International Tribunal for the Law of the Sea (ITLOS) ruled in favour of Ghana. This gave Ghana the green light to continue making investments in its territorial waters. To adequately address any security threats to Ghana's territorial waters and ensure our oil resources and investments are adequately protected, the Ministry of Defence will begin the construction of a modern Forward Operating Base (FOB) in Takoradi, to enhance maritime security in the western corridor of the Country. This forms part of Government's broader security strategy and will afford the Ghana Armed Forces the ability to protect offshore oil assets, prevent and combat pirate activities, narcotic traffic and other high sea criminal activities.



## CONCLUSION

237. Right Honourable Speaker, the creation of an optimistic, self-confident and prosperous nation, as articulated in the President's Co-ordinated Programme for Economic and Social Development, is becoming a reality to the citizens of our dear country. We are indeed moving Ghana Beyond Aid.
238. Mr. Speaker, the implementation of the 2019 budget is on course.
- We are ready to take on board the third cohort of the Free SHS students in September, 2019.
  - We have started paying contractors who have certificates valued up to GH¢500,000 and plan to clear these by the end of the year.
  - In keeping with our promise, the referendum to decide on the election of MMDCEs will come off in December, 2019.
  - We have issued a number of commencement approvals for work to begin on a number of roads, drains, fish landing sites and housing projects.
  - The relevant Ministries and Development Authorities are expected to complete procurement processes and award contracts for work to begin on all projects by October, 2019.
239. These programmes will generate critical economic activities, provide job opportunities and improve incomes for masons, carpenters, food vendors, road and general contractors and many others in the informal sectors of our society.
240. We have made a significant impact in reducing poverty, bridging inequality gaps, providing adequate and accessible quality education, improving healthcare, providing affordable housing, promoting a vibrant agricultural sector and improving food security, ensuring robust security measures and revitalizing our industries amongst others. These priority programmes further underscore Government's commitment towards achieving the Sustainable Development Goals (SDGs).
241. As part of Government efforts to address the need for improvement in rural roads, Government in the coming weeks will setup a committee which will include officers of the 48 Engineers Regiment of the Ghana Armed Forces, to spearhead a new national effort of mobilizing local authorities to construct passable critical feeder roads, related drainage and bridges across the country. Local authorities will be supported to urgently deploy road equipment by assisting with the repairs of any broken down equipment, providing fuel,



or renting the necessary equipment. We will work with the Ministers for Local Government & Rural Development, Roads and Highways and the Special Development Initiatives to explore all available financing options within the budget.

242. Mr. Speaker, let me once again take the opportunity to thank you for the cordial working relationship we have had. We have no doubt that the achievements made, from the beginning of the year, will continue to be felt in the ensuing months as we work steadily and tirelessly towards building a Ghana that is truly Beyond Aid.
243. Mr. Speaker, we will continue to tackle the challenges with boldness, and with the Good Lord on our side, we remain optimistic, assured, and rooted in our resolve to maintain economic stability. We will pursue the initiatives and programmes of the Nana Akufo-Addo-led government, which are steadily transforming our Nation and creating jobs and shared prosperity for all Ghanaians.
244. Our plans and programmes, as outlined in the 2019 budget, are deliberately designed to build a stronger and better connected country where no community will be left out in our push for sustainable progress in the fastest track possible. We have restored the economy, even more manifestly, we have restored the integrity of the Ghanaian economy. Just like we did over a decade ago. In the words of the latest IMF report, "Ghana's economy is on the mend." We are no longer in the IMF programme that the previous Government surrendered to in 2015, not even four years after Ghana became an oil-rich economy.
245. But, the future is positive. We have discovered oil, just like we did 12 years ago. Except then, we discovered oil at the tail end of the NPP's second consecutive term in office. This is only the first term.
246. Mr speaker, this is the government for business, big or small. We are transforming agriculture and we are transforming industry and we are building the financial base to fuel that drive. In all humility, Mr Speaker, the kind of transformation we are seeing today has never been done deliberately on this scale since independence. Our policies are leading to the establishment of factories on a scale never witnessed in the history of this country. Not even in the First Republic, Mr Speaker.
247. Mr Speaker, permit me to stress this point, also. This is the government for the poor. This is the government for the masses. We may not stand on

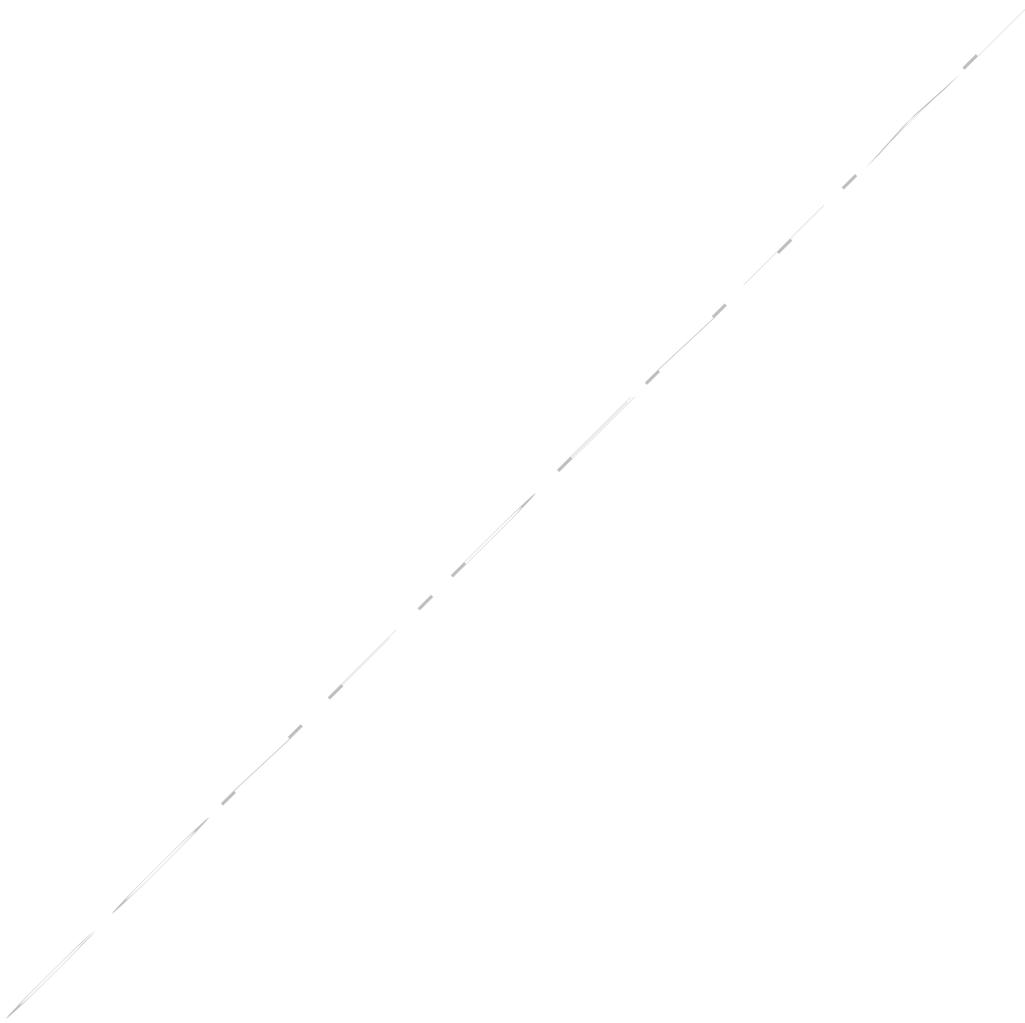


rooftops and beat the propaganda drums high and loud. We prefer to allow our actions to speak. We are feeding school children; we are giving them free education; we are expanding the LEAP social welfare cash to many more households. We have revived the national health insurance that we introduced. We have increased social benefits to the physically challenged. We do so, Mr Speaker, not because we claim to be social democrats. No! We do so because we believe in the principle of empowering the greatest number of people for the greater good.

248. Finally, Mr Speaker, I want to make the case that Ghana is in a far better shape now than it was when we took office 31 months ago. Growth is higher, banks are stronger. Education funding is at an all-time record high. Health funding is also at a record high. More police are on our streets today than ever before. They are better equipped.
249. We will deliver on the bauxite, we will deliver on the policy to build a Petrochemical industry. We will support more factories to be built, more farms to be tilled and more doctors and nurses to care for us, more teachers to be attracted to the classroom and more media houses to be free to contribute responsibly towards this all-important accelerated development journey that we are on.
250. Our challenges may be many, but our opportunities are even more. The future is exciting. Let us build even if we disagree on who the foreman may be. We are building now but a better future for ourselves and more so for our children. Let us continue to believe in Ghana. Let us believe in ourselves. Let us have the courage to be proud about what we are capable of achieving. Be positive. Think positive. Act patriotic. Stand firm. Hard work and integrity should be our mantra. We as a people like the proverbial parable of the weeds, should not be caught asleep for the enemy to plant weeds among the wheat.
251. Mr. Speaker, the Government of Nana Akufo-Addo should be awake, vigilant and uncompromising in our drive to transforming our economy to a Ghana Beyond Aid.
252. We are inspired by J. B Danquah when he says in his Akan Doctrine of God that, "the Spirit of God is abroad even in the Akan of the Gold Coast. We are indeed "adehyea", a chosen people and Isaiah assures us, those who trust in the Lord will find new strength. They will soar high on wings like eagles, they will run and not grow weary. They will walk and not faint.



253. Mr. Speaker, a new Ghana beckons, the Ghana Beyond Aid. A Ghana that pays only for the energy it uses, a Ghana that receives full value for its cocoa, a Ghana that is the hub for continental trade, a Ghana whose infrastructure is world standard, and a Ghana whose children are skilled and working. A patriotic and spiritual people who put the republic first.



254. Mr. Speaker, consistent with Article 179 (8) of the 1992 Constitution and Standing Order 143 of this august House I beg to move that this House consider and approve an amount of GH¢6,370,355,925.82 as supplementary estimates to the original appropriation of **GH¢78,771,833,602.82** to bring the revised total appropriation to GH¢85,142,189,527.94.
255. Mr. Speaker, I so move.
256. Thank you and God bless us all.



REPUBLIC OF GHANA

## MINISTRY OF FINANCE

*Professional, Ethical, Efficient, Responsive – Transforming Ghana Beyond Aid*

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