



BUDGET HIGHLIGHTS

— OF THE —

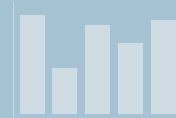
BUDGET STATEMENT AND ECONOMIC POLICY
OF THE GOVERNMENT OF GHANA FOR THE
2018 FINANCIAL YEAR

PRESENTED TO PARLIAMENT ON
WEDNESDAY, 15TH NOVEMBER, 2017 BY

KEN OFORI-ATTA
(MINISTER FOR FINANCE)



ON THE AUTHORITY OF
HIS EXCELLENCY NANA ADDO DANKWA AKUFO-ADDU,
PRESIDENT OF THE REPUBLIC OF GHANA





Key Highlight of the 2018 Budget Statement and Economic Policy

Theme: “Putting Ghana to work”

MACROECONOMIC PERFORMANCE FOR 2017

- Overall real GDP (as of June) **7.8%**
- Non-Oil real GDP (as of June) **4.0%**
- End-period inflation (as of October) **11.6%**
- Overall budget deficit on cash basis as percentage of GDP(Sept) **4.5%**
- Primary balance (Sept) **0.3%**
- Current account balance (August) **(0.2%)**
- Gross International Reserves (import cover)-Sept **3.9%**
- End year expected deficit 6.3%

2017 SECTOR GROWTH

- Agriculture **4.3%**
- Industry **17.7%**
- Services **4.7%**

EXCHANGE RATE DEVELOPMENTS -2017

Cedi/Dollar depreciation **4.0%**

INTEREST RATE DEVELOPMENTS – 2017

- 91-Day **13.2%**
- 182-Day **14.1%**
- 1-Year **15.0%**
- Interbank Average **20.94%**
- Average Lending rates to DMBs **28.97%**

POLICY INITIATIVES FOR 2018

- The Akufo-Addo Programme For Economic Transformation (Aapet)
- Financial Sector Initiatives
- Energy Sector Policy Initiatives
- Revenue Measures
- Expenditure Measures
- Voluntary Education Fund

OTHER INITIATIVES

National LPG Promotion Policy will be rolled out

Electricity Tariff Reforms (Reduction)

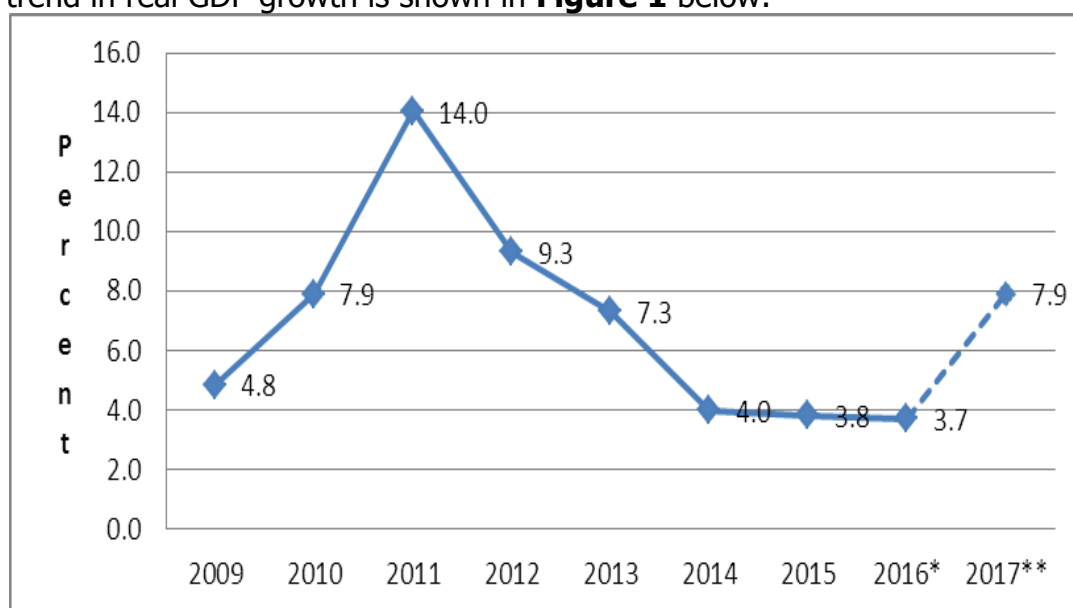
- Residential - Up to **13%**
- Non Residential - **13%**
- Special Load Tariff- Low Voltage - **13%**
- Special Load Tariff -Medium Voltage - **11%**
- Special Load Tariff -High Voltage - **14%**
- High Voltage Mines - **21%**

MACROECONOMIC PERFORMANCE FOR 2017

1. Provisional data on the performance of the economy from January-September, 2017 shows nearly all the macroeconomic indicators are on target. A summary of this performance is as follows:
 - Overall real GDP grew by 7.8 percent as of June against 2.7 percent in same period 2016. It is estimated to grow by 7.9 percent at end of 2017, up from the original forecast of 6.3 percent;
 - Non-Oil real GDP grew at an estimated 4.0 percent as of June 2017 compared to 5.9 percent in the same period in 2016. Non-oil GDP growth is estimated at 4.8 percent at the end of 2017;
 - End-period inflation was 11.6 percent in October, 2017 compared to 15.8 percent at the same period in 2016;
 - The overall budget deficit on cash basis was 4.5 percent of GDP in September, 2017 against a target of 4.8 percent of GDP and an outturn of 6.4 percent in the same period in 2016;
 - The primary balance posted a surplus of 0.3 percent of GDP in September, 2017, as targeted and is a significant improvement over a deficit of 1.6 percent realized during the same period in 2016;
 - The current account balance registered a deficit estimated at 0.2 percent of GDP in August, 2017 compared with 2.6 percent in August, 2016; and
 - The country’s Gross International Reserves which stood at US\$6.9 billion by end-September 2017, could cover 3.9 months of imports compared to the US\$4.8 billion or 2.5 months import cover recorded in the same period of 2016.

REAL SECTOR PERFORMANCE

2. Overall provisional GDP growth of 7.9 percent is expected for 2017, with Non-oil GDP expected to record 4.8 percent at the end of the year. Recent trend in real GDP growth is shown in **Figure 1** below:



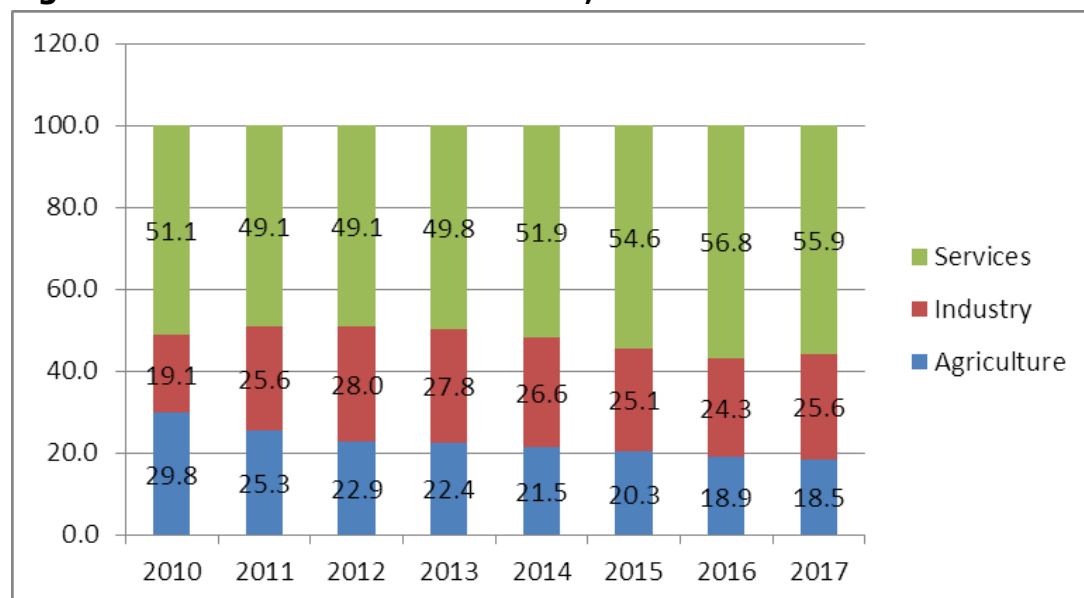
Sources: Ghana Statistical Service/Ministry of Finance

*Revised ** Provisional

Structure of the Economy

3. The structure of the economy broadly remains unchanged with continued dominance of the Service Sector. The share of Services in overall output is estimated at 55.9 percent, a marginal decline from 56.8 percent registered in 2016. The share of Industry is estimated at 25.6 percent, compared with 24.3 percent in 2016, while that of Agriculture is estimated at 18.5 percent. Figure 2 shows trends in sector contribution to GDP.

Figure 2: Sector Distribution of GDP, 2010-2017



Sources: Ghana Statistical Service/Ministry of Finance

*Revised ** Provisional

Sector Growth Performance

4. Industry is estimated to grow by 17.7 percent at the end of 2017, making it the best performing sector in terms of growth. This is largely due to an increased production in upstream oil and gas. Agriculture and Services Sectors are projected to grow at 4.3 percent and 4.7 percent respectively. Table 2 shows trends in sector growth performance.

Table 2: Sector Growth Performance (Percent)

Sector	2015	2016*	2017**
Agriculture	2.8	3	4.3
Industry	-0.3	-0.5	17.7
Services	6.3	5.7	4.7

Sources: Ghana Statistical Service/Ministry of Finance

*Revised ** Provisional

MONETARY SECTOR

Price Developments

5. Headline consumer price inflation declined steadily from 15.4 percent in December 2016 to 11.6 percent in October 2017. The downward trend in

inflation was largely driven by exchange rate stability, tight monetary policy and prudent fiscal consolidation policies.

Monetary Aggregates and Credit Developments

6. Broad money supply growth slowed down in 2017 with a 20.0 percent year-on-year growth at the end of September 2017, compared with a 22.3 percent growth a year ago. Credit to the private sector and public institutions from January to September 2017 by Deposit Money Banks (DMBs) recorded a 3.2 percent annual growth compared with 17.4 percent in the same period of 2016.

Money and Capital Markets

7. In the year to September 2017, the Monetary Policy Committee of the Bank of Ghana cumulatively lowered the Monetary Policy Rate (MPR) by 450 basis points to 21.0 percent. The interest equivalent on the 91-day T-bill rate steadily declined to 13.2 percent from 16.8 percent in December 2016. The rate on the 182-day T-bill declined to 14.1 percent from 18.5 percent, while the rate for the 1-year note also fell to 15.0 percent from 21.5 percent in December 2016. The interbank market weighted average interest rate declined to 20.94 percent in September 2017 from 25.26 percent in December 2016. See Table 3 below:

Table 3 Domestic Market Rates (Percent)

Instruments	2016	2017
91-Day	16.8	13.2
182-Day	18.5	14.1
1-Year	21.5	15
Interbank Average	25.26	20.94
Average Lending rates to DMBs	31.68	28.97

Source: BOG

EXTERNAL SECTOR

8. The trade balance recorded a surplus of US\$707.6 million (1.5% of GDP) against a deficit of US\$1.8 billion (4.3% of GDP) in the same period of 2016. Total export receipts rose by 25.1 percent year-on-year, while imports declined by 5.3 percent due to lower non-oil imports. Current account deficit was halved to an estimated US\$1.1 billion (2.4% of GDP) in the first three quarters of 2017, compared to a deficit of US\$2.1 billion (4.9% of GDP) for same period last year. Overall balance of payments surplus of US\$379.3 million (0.8% of GDP) is recorded for the first three quarters of 2017, compared to a deficit of US\$1.4 billion (2.9% of GDP) for the same period in 2016.

International Reserves

9. Gross International Reserves (including petroleum funds and encumbered assets) stood at US\$6.9 billion by end September 2017, translating into 3.9 months of import cover.

Exchange Rate Developments

10. The cedi cumulatively depreciated by 4.42 percent as at September 2017, compared to a depreciation of 4.44 percent against the US dollar during the same period in 2016.

FISCAL SECTOR

11. Preliminary fiscal data up to the end of September 2017 indicate that the fiscal outturn was broadly in line with expectations despite shortfalls in revenues. The overall deficit on cash basis was 4.6 percent of GDP against a budgeted target of 4.8 percent while the primary balance moved into surplus, albeit marginally lower than targeted Both Total Revenue and Grants and Total Expenditure (including arrears clearance), were below their respective targets as summarized in Table 4.

Table 4 Summary of Fiscal Performance

Description	2016 (Jan - Sept) Outturn		2017 (Jan - Sept) Budget		2017 (Jan - Sept) Provisional Outturn			% change over 2016
	Amt. (M' GH¢)	% of GDP	Amt. (M' GH¢)	% of GDP	Amt. (M' GH¢)	% of GDP	% Dev	
Total Revenue & Grants	24,465.5	14.6	31,346.4	15.5	28,429.2	14.1	-9.3	16.2
Total Expenditure & Arrears Clearance	35,101.8	21.0	41,036.2	20.3	37,705.0	18.7	-8.1	7.4
Overall Fiscal Balance (Cash)	-10,636.3	-6.4	-9,689.8	-4.8	-9,275.8	-4.6	-4.3	-12.8
Total Financing	10,636.3	6.4	9,689.8	4.8	9,275.8	4.6	-4.3	-12.8
o/w Domestic Financing	7,476.0	4.5	10,093.4	5.0	9,322.6	4.6	-7.6	24.7
Primary Balance	-2,674.1	-1.6	586.7	0.3	434.5	0.2	-25.9	-116.2

Source: Ministry of Finance

Revenue Performance

12. Total Revenue and Grants for the period amounted to GH¢28,429.2 million, equivalent to 14.1 percent of GDP compared to a target of GH¢31,346.4 million (15.5 percent of GDP). Although the outturn is 9.3 percent below the budgeted target, it represents an annual growth of 16.2 percent compared to 4.1 percent during the same period in 2016. See Table 5 below:

Table 5: Summary of Central Government Revenues and Grants – 2016/2017

Description	2016 (Jan - Sept) Outturn		2017 (Jan - Sept) Budget		2017 (Jan - Sept) Provisional Outturn			% change over 2016
	Amt. (M' GH¢)	% of GDP	Amt. (M' GH¢)	% of GDP	Amt. (M' GH¢)	% of GDP	% Dev	
Total Revenue & Grants	24,465.5	14.6	31,346.4	15.5	28,429.2	14.1	-9.3	16.2
Domestic Revenue	23,490.0	14.0	30,095.7	14.9	27,481.1	13.6	-8.7	17.0
o/w Oil Revenue	519.0	0.3	1,687.3	0.8	1,451.8	0.7	-14.0	179.7
Tax Revenue	18,414.7	11.0	23,898.8	11.8	22,135.6	11.0	-7.4	20.2
o/w Oil Revenue	164.1	0.1	534.8	0.3	545.0	0.3	1.9	232.1
Non-Tax Revenue	3,638.9	2.2	4,428.7	2.2	3,832.7	1.9	-13.5	5.3
o/w Oil Revenue	354.9	0.2	1,152.5	0.6	906.7	0.4	-21.3	155.5
Social Contributions	203.4	0.1	221.9	0.1	296.2	0.1	33.5	45.6
Other Revenue	1,233.0	0.7	1,546.2	0.8	1,216.6	0.6	-21.3	-1.3
Grants	975.5	0.6	1,250.8	0.6	948.1	0.5	-24.2	-2.8

Source: Ministry of Finance

Table 6 Total Government Tax Revenue – 2016/2017

Description	2016 (Jan - Sept) Outturn		2017 (Jan - Sept) Budget		2017 (Jan - Sept) Provisional Outturn			% change over 2016
	Amt. (M' GH¢)	% of GDP	Amt. (M' GH¢)	% of GDP	Amt. (M' GH¢)	% of GDP	% Dev	
Total Tax Revenue	18,414.70	11	23,898.8 0	11.8	22,135.6 0	11	-7.4	20.2
o/w non-oil Tax Revenue	18,250.60	10.9	23,364.0 0	11.6	21,590.6 0	10.7	-7.6	18.3
Taxes on Income & Property	6,397.70	3.8	9,360.40	4.6	8,871.20	4.4	-5.2	38.7
o/w Personal Income Tax	2,399.40	1.4	3,278.20	1.6	3,322.40	1.6	1.3	38.5
o/w Company Taxes	2,862.90	1.7	4,226.50	2.1	3,649.70	1.8	-13.6	27.5
o/w Company Taxes on Oil	42	0	115.7	0.1	212.1	0.1		404.8
Taxes on Domestic Goods & Services	8,975.80	5.4	9,853.40	4.9	9,708.10	4.8	-1.5	8.2
o/w VAT	5,060.20	3	6,171.80	3.1	6,175.50	3.1	0.1	22
o/w Excise	2,868.50	1.7	2,395.60	1.2	2,318.50	1.1	-3.2	-19.2
o/w NHIL	797.4	0.5	1,044.30	0.5	971.9	0.5	-6.9	21.9
o/w CST	249.8	0.1	241.8	0.1	242.1	0.1	0.1	-3.1
International Trade Taxes	3,041.20	1.8	4,685.00	2.3	3,556.30	1.8	-24.1	16.9
o/w Import Duties	2,951.20	1.8	4,685.00	2.3	3,556.30	1.8	-24.1	20.5
o/w Export Duties	90	0.1	0	0	0	0		-100

Source: Ministry of Finance

Expenditure Performance

13. Provisional data through September of 2017 indicate that Total Expenditure, including the clearance of arrears amounted to GH¢37,705.0 million (18.7 percent of GDP) compared to the target of GH¢41,036.2 million, representing a budget shortfall of 8.1 percent below target. See Table 7 below:

Table 7: Summary of Central Government Expenditures – 2016/2017

Description	2016 (Jan - Sept) Outturn		2017 (Jan - Sept) Budget		2017 (Jan - Sept) Provisional Outturn			% change over 2016
	Amt. (M' GH¢)	% of GDP	Amt. (M' GH¢)	% of GDP	Amt. (M' GH¢)	% of GDP	% Dev	
Total Expenditure & Arrears Clearance	35,101.80	21	41,036.20	20.3	37,705.00	18.7	-8.1	7.4
Total Expenditure	34,148.10	20.4	38,827.60	19.2	36,423.00	18	-6.2	6.7
Compensation of Employees	10,486.20	6.3	11,975.50	5.9	12,512.10	6.2	4.5	19.3
o/w Wages & Salaries	8,910.50	5.3	10,520.40	5.2	10,696.70	5.3	1.7	20
Use of Goods & Services	2,115.20	1.3	1,925.00	1	1,832.50	0.9	-4.8	-13.4
Interest Payments	7,962.10	4.8	10,276.50	5.1	9,710.30	4.8	-5.5	22
o/w Domestic Interest	6,311.10	3.8	8,128.60	4	7,562.80	3.7	-7	19.8
Subsidies	0	0	50	0	0	0	-100	
Grants to Other Gov't Units	6,232.50	3.7	6,850.40	3.4	6,501.70	3.2	-5.1	4.3
Social Benefits	0	0	178	0.1	22.9	0	-87.1	
Other Expenditure	69	0	1,633.40	0.8	1,047.50	0.5	-35.9	1,418.2 0
Tax Refunds	958.6	0.6	1,247.50	0.6	1,099.50	0.5	-11.9	14.7
Capital Expenditure	5,314.30	3.2	4,691.40	2.3	3,696.40	1.8	-21.2	-30.4
o/w Domestically Financed	779.1	0.5	1,593.60	0.8	407.3	0.2	-74.4	-47.7
Arrears Clearance (Net)	-641.3	-0.4	-2,208.60	-1.1	-763.9	-0.4	-65.4	19.1
Discrepancy	-312.4	-0.2	0	0	-518.1	-0.3		65.9

Source: Ministry of Finance

Overall Budget Balance and Financing

14. Government is broadly on track with the primary balance target, recording a surplus of GH¢434.5 million (0.2 percent of GDP), against a target of GH¢586.7 million (0.3 percent of GDP). See Table 8 below.

Table 8: Summary of Central Government Financing – 2016/2017

Description	2016 (Jan - Sept) Outturn		2017 (Jan - Sept) Budget		2017 (Jan - Sept) Provisional Outturn			% chang e over 2016
	Amt. (M' GH¢)	% of GDP	Amt. (M' GH¢)	% of GDP	Amt. (M' GH¢)	% of GDP	% Dev	
Total Financing	10,636.30	6.4	9,689.80	4.8	9,275.80	4.6	-4.3	-12.8
Foreign	3,160.20	1.9	-403.6	-0.2	-46.8	0	-88.4	-101.5
Domestic	7,476.00	4.5	10,093.40	5	9,322.60	4.6	-7.6	24.7
o/w Petroleum Funds/Sinking and Contingency	-93.5	-0.1	-288.5	-0.1	730.8	0.4	353.3	-882
Primary Balance	-2,674.10	-1.6	586.7	0.3	434.5	0.2	-25.9	-116.2

Source: Ministry of Finance

- Petroleum Receipts in 2017**
15. Receipts from crude oil liftings for the period up to September 2017 accruing from the 35th (lifted in December 2016) to the 38th Jubilee liftings and 1st (also lifted in December 2016) to 3rd TEN liftings, was US\$339.32 million (GH¢1,451.39 million), as shown in Table 9.

Table 9: Details of Crude Oil Proceeds on Lifting Basis

Item	Unit	1st Qtr		2nd Qtr			3rd Qtr		TOTAL
		JUBILEE	TEN	JUBILEE	JUBILEE	TEN	JUBILEE	TEN	
		35th Lifting	1st Lifting	36th Lifting	37th Lifting	2nd Lifting	38th Lifting	3rd Lifting	
Date of Lifting	dd/mm/yy	27-Dec-16	8-Dec-16	9-Mar-17	13-May-17	20-Mar-17	3-Jul-17	18-Jun-17	
Receipt Date	dd/mm/yy	26-Jan-17	7-Jan-17	7-Apr-17	12-Jun-17	19-Apr-17	2-Aug-17	19-Jul-17	
Volume of lift	barrels	984,163	996,459	947,806	948,931	996,588	952,938	995,657	6,822,542.00
Selling Price	US\$	53.51	51.19	54.23	48.18	49.19	46.53	45.37	
Value of lift	US\$	52,660,594	51,008,736	51,400,467	45,721,393	49,020,171	44,335,440	45,175,945	339,322,747
	GH¢	224,802,809	215,639,432	216,313,726	198,984,076	204,183,716	194,029,622	197,432,433	1,451,385,814

Sources: Ministry of Finance/Bank of Ghana

16. Total petroleum receipts (i.e. proceeds from liftings and other sources) as at September 2017 was US\$362.58 million (GH¢1,552.13million), as shown in Table 10. This compares with the receipts of US\$172.91 million (GH¢671.49 million) for the same period in 2016.

Table 10: Sources of Petroleum Receipts January to September 2017

ITEM	UNIT	QTR 1	QTR 2	QTR 3	TOTAL
Jubilee Royalties	US\$	14,661,506.78	27,040,196.76	12,343,658.02	54,045,361.56
Jubilee Carried and Participating Interest	US\$	37,999,087.02	70,081,663.87	31,991,782.43	140,072,533.32
TEN Royalties	US\$	13,249,022.39	12,732,511.83	11,734,011.70	37,715,545.92
TEN Carried and Participating Interest	US\$	37,759,713.82	36,287,658.71	33,441,933.36	107,489,305.89
Gas Royalties	US\$	-	-	-	-
Gas Carried and Participating Interest	US\$	-	-	-	-
Surface Rentals	US\$	262,917.20	344,164.71	238,347.00	845,428.91
Corporate Income Tax	US\$	-	22,073,745.00	-	22,073,745.00
PHF income	US\$	78,727.84	107,117.69	148,275.84	334,121.37
Interest on Late Payment on TEN Lifting	US\$	-	-	4,274.04	4,274.04
Total Petroleum Receipts	US\$	104,010,975.05	168,667,058.57	89,902,282.39	362,580,316.01
	GH¢	441,892,131.31	717,710,844.50	392,526,167.12	1,552,129,142.93

Sources: Ministry of Finance/Bank of Ghana

Allocation of 2017 Petroleum Receipts

17. Out of the total revenue of US\$362.58 million, GNPC (the National Oil Company) was allocated a total of US\$126.67 million made up of Equity Financing Cost of US\$74.86 million) and an amount of US\$51.81 million, representing its share of the net Carried and Participating Interest, as shown in Table 13

Table 13 Distribution of Petroleum Receipts (Jan.-Sept. 2017)

ITEM	UNIT	Jubilee 35th	Jubilee 36th	Jubilee 37th	Jubilee 38th	TEN 1st	TEN 2nd	TEN 3rd	TOTAL
Date of Distribution		29-Mar-17	12-May-17	23-Jun-17	28-Sep-17	31-Jan-17	30-May-17	28-Aug-17	
Transfer to GNPC	US\$	14,437,587	11,126,940	22,392,489	12,872,478	21,900,634	21,046,842	22,896,321	126,673,291
with Equity Financing cost	US\$	4,339,801	-	17,849,899	4,678,490	15,103,886	14,515,063	18,376,773	74,863,913
and Participation Interest	US\$	10,097,786	11,126,940	4,542,590	8,193,988	6,796,748	6,531,779	4,519,548	51,809,378
ABFA and GPFs	US\$	38,223,007	40,627,515	23,612,677	31,462,963	56,452,311	27,973,328	44,554,528	262,906,329
Budget Funding Amount	US\$	2,848,051	28,439,260	-	11,176,499	39,516,617	13,925,408	31,188,170	127,094,006
Ghana Petroleum Funds	US\$	35,374,956	12,188,254	23,612,677	20,286,464	16,935,693	14,047,920	13,366,359	135,812,324
Ghana Stabilisation Fund	US\$	24,762,469	8,531,778	16,528,874	14,200,525	11,854,985	9,833,544	9,356,451	95,068,627
Ghana Heritage Fund	US\$	10,612,487	3,656,476	7,083,803	6,085,939	5,080,708	4,214,376	4,009,908	40,743,697
Total Payments	US\$	52,660,594	51,754,455	46,005,166	44,335,440	78,352,945	49,020,171	67,450,850	389,579,620
	GH¢	228,418,598	217,353,183	200,425,533	195,160,175	334,517,022	210,695,393	296,128,169	1,682,698,073

Source: Ministry of Finance/Bank of Ghana

18. An amount of GH¢796.32 million of the ABFA allocation was programmed for utilisation in 2017, of which, GH¢238.89 million and GH¢557.42 million were programmed allocated for Goods and Services and Capital Expenditure, respectively.

Table 14: ABFA Utilisation by Priority Area (January – September, 2017)

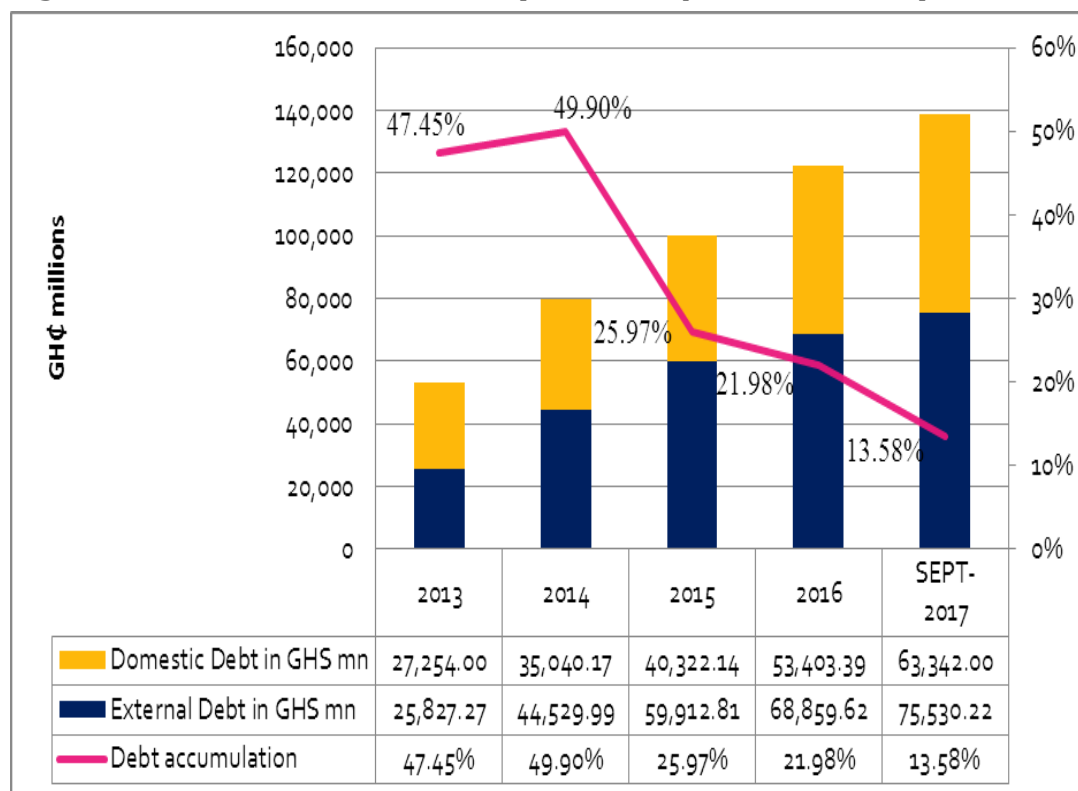
Priority Area	Total
AGRICULTURE	21,156,840.43
PHYSICAL INFRASTRUCTURE & SERVICE DELIVERY IN EDUCATION	202,379,893.20
PHYSICAL INFRASTRUCTURE & SERVICE DELIVERY IN HEALTH	6,044,229.09
ROAD, RAIL, & OTHER CRITICAL INFRASTRUCTURE DEVELOPMENT	34,357,771.92
PUBLIC INTEREST & ACCOUNTABILITY COMMITTEE (PIAC)	1,345,078.00
TOTAL	265,283,812.64

Sources: CAGD and Ministry of Finance

DEVELOPMENTS IN PUBLIC DEBT

19. Government, through prudent management of the economy has successfully reduced Ghana’s debt burden. This was achieved as a result of a reduction in the fiscal deficit and a policy of debt re-profiling. Consequently, the debt to GDP ratio has declined from 73 percent at the end of December 2016 to 68.6 percent at the end of September 2017. It is important to note that the annual average rate of debt accumulation of 36.0 percent over the last four years, has declined over the last nine months to about 13.58 percent.

Figure 4: Trends in Public Debt (2013 - September, 2017)



ENERGY SECTOR LEGACY DEBT

20. As indicated in the Mid-Year Fiscal Policy Review, Government planned to restructure the debt of the energy sector SOEs by leveraging the Energy Debt Recovery Levy component of the ESLA. As a result, the Ministry of Finance this year sponsored the establishment of the E.S.L.A. Plc as a Special Purpose Vehicle (SPV). The SPV established a bond programme to issue Cedi-denominated medium-to-long-term amortizing bonds on the back of ESLA receivables to repay legacy debt to the tune of up to GH¢10,000.00 million. The first tranche of bonds issued under this programme, comprised a 7-year (GH¢2,408.60 million) and a 10-year (GH¢2,375.35 million) bond with coupons of 19.0 percent and 19.5 percent respectively, for a total of GH¢4,783.97 million.
21. The proceeds from the bond issuance has helped reduce Non-Performing Loans within the banking sector and strengthened the balance sheets of the SOEs in the energy sector. To date the stock of energy sector debt has been almost halved. E.S.L.A Plc will continue to issue bonds to completely pay off the legacy debts.

MACROECONOMIC TARGETS FOR 2018

22. the following macroeconomic targets are set for 2018 fiscal year:
- Overall GDP growth rate of 6.8 percent;
 - Non-oil GDP growth rate of 5.4 percent;
 - End period inflation rate of 8.9 percent;
 - Average inflation rate of 9.8 percent;
 - Fiscal deficit of 4.5% percent GDP;
 - Primary balance (surplus) of 1.6 percent of GDP;
 - Gross Foreign Assets to cover at least 3.5 months of imports of goods and services

Summary of Government Financing Operations for 2018

Description	2017 Projected Outlook		2018 Budget		
	Amt. (M' GH¢)	% of GDP	Amt. (M' GH¢)	% of GDP	% change
Total Revenue & Grants	41,254.3	20.2	51,039.1	21.1	23.7
Total Expenditure & Arrears Clearance	54,141.5	26.5	62,010.3	25.7	14.5
Overall Fiscal Balance (Cash)	-12,887.2	-6.3	-10,971.1	-4.5	-14.9
Total Financing	12,887.2	6.3	10,971.1	4.5	-14.9
Primary Balance	396.3	0.2	3,938.7	1.6	893.9

MACROECONOMIC TARGETS FOR THE MEDIUM TERM 2018- 2021

- Real GDP to grow at an average rate of 6.2% between 2018 and 2021;
- Inflation to be within the target band of $8\pm 2\%$;
- Overall fiscal deficit to remain within the fiscal rule of 3-5%;
- Primary balance is expected to improve from a surplus of 0.2% of GDP in 2017 and remain around 2.0 percent in the medium term;
- Gross International Reserves to cover at least 4 months of imports.

Table 15: Real GDP Growth (Percent), 2018-2021

	2018	2019	2020	2021	Average
Agriculture	4.5	5.8	5.0	5.3	5.2
Industry	9.4	9.5	5.1	1.2	6.3
Services	6.2	6.5	6.1	7.6	6.6
Overall GDP (excl. Oil)	5.4	5.9	6.0	6.1	5.9
Overall GDP (incl. Oil)	6.8	7.3	5.6	5.3	6.2

Source: Ministry of Finance

Projected Petroleum Revenue, 2018-2021

The 2018 petroleum receipts is projected at US\$669.41 million, as shown in Table 16.

ITEM	2018	2019	2020	2021
	US\$	US\$	US\$	US\$
TOTAL PETROLEUM RECEIPTS	669,407,901.85	912,405,476.68	1,118,613,183.60	1,271,505,087.54
Royalties	183,614,603.78	219,876,637.00	250,954,064.15	269,292,071.73
o/w Crude Oil	165,929,743.07	199,614,169.90	227,022,896.96	241,351,428.57
o/w Gas	17,684,860.71	20,262,467.10	23,931,167.19	27,940,643.16
Carried and Participating Interest	484,200,071.97	571,694,059.21	635,967,130.42	707,007,639.04
o/w Crude Oil	341,497,147.66	403,422,398.91	420,757,066.89	448,296,719.39
o/w Gas	142,702,924.30	168,271,660.30	215,210,063.53	258,710,919.65
Corporate Income Tax	-	119,603,609.37	230,367,167.93	293,634,455.67
Surface Rentals	1,593,226.10	1,231,171.10	1,324,821.10	1,570,921.10

Table 17: Distribution of Petroleum Revenue, 2018-2021

ITEM	2018	2019	2020	2021
	US\$	US\$	US\$	US\$
ALLOCATION OF PETROLEUM RECEIPTS	669,407,901.85	912,405,476.68	1,118,613,183.60	1,271,505,087.54
Transfer to National Oil Company (NOC)	333,546,021.59	374,768,423.42	384,668,696.08	345,678,545.87
o/w Equity Financing	268,980,000.00	290,371,722.36	276,969,367.08	190,823,220.23
o/w 30% share of Net Carried & Participating Interest	64,566,021.59	84,396,701.06	107,699,329.00	154,855,325.64
Benchmark Revenue (BR)	335,861,880.26	537,637,053.26	733,944,487.52	925,826,541.66
o/w Annual Budget Funding Amount	235,103,316.18	376,345,937.28	513,761,141.26	648,078,579.16
o/w Transfer to the Ghana Petroleum Funds	100,758,564.08	161,291,115.98	220,183,346.25	277,747,962.50
o/w Ghana Stabilisation Fund	70,530,994.85	112,903,781.19	154,128,342.38	194,423,573.75
o/w Ghana Heritage Fund	30,227,569.22	48,387,334.79	66,055,003.88	83,324,388.75

2017 SECTORAL PERFORMANCE AND OUTLOOK FOR 2018

MINISTRY OF FOOD AND AGRICULTURE

23. To improve food security and promote sustainable agriculture as indicated in the Sustainable Development Goals (SDG) 2 as well as create jobs, especially for the teeming youth, Government in 2017:
- Launched the ‘Planting for Food and Jobs Programme’, to increase production of selected crops for food security and create jobs for the youth. In 2018, a total of 500,000 farmers will be registered and 2,700 extension agents recruited to support the Programme;
 - A total of 220 tractors and accessories comprising 141 maize shellers, 77 Multi-crop threshers were distributed to farmers and service providers to promote agricultural mechanization. In 2018, Government will under this programme distribute assorted farm equipment including: 200 tractors and matching implements, 1,000 power tillers and walking tractors;
 - A total of 192 small dams and dugouts in 64 districts were identified for development under the ‘One-Village-One-Dam’ initiative. Government will in 2018, continue to facilitate and promote double cropping by constructing 50 small dams and dugout, making available additional 147ha of irrigable land for crop production;
 - The Fall Army Worm (FAW) invasion was successfully managed and kept under control. Through this intervention, 123,232ha of farm lands were recovered out of a total area of 137,479ha affected farms;
 - COCOBOD during the 2016/17 season, purchased 969,000 metric tonnes of cocoa. For the 2017/18 season, a crop size of 850,000 tonnes is projected. Government has maintained the producer price of cocoa at GH¢7,600 per tonne, in spite of a 30 percent decline in international cocoa prices; and

MINISTRY OF ENERGY

24. To ensure access to affordable, reliable, sustainable and modern energy for all as stated in SDG 7, Government in 2017 achieved the following:
- A total of 445MW power capacity was added to the country’s installed generation capacity, bringing the total installed capacity to 4,577MW in 2017. In 2018, Government will increase the installed generation capacity by about 487MW (Cenpower; 340MW, Early Power Phase 1; 147MW) to meet the growing demand of electricity;
 - Under the Rural Electrification Programme, 289 out of a targeted 2,185 communities were connected to the national grid. The national electricity access rate increased from 83.24 percent, 2016 to 83.62 percent in 2017. A total of 1,796 communities will be connected to the national grid under the Programme in 2018;
 - Government sold at a subsidy of 70 percent, 52,191 units of portable solar lanterns (with phone charging functionality) to poor off-grid rural households. In 2018, 50,000 solar lanterns will be procured for distribution to poor off-grid rural households. In addition, Government will embark on MDAs Solar Rooftop Programme to reduce expenditure on utilities; and
 - Cabinet approved a new National LPG Promotion Policy to abolish the current LPG Marketing model and replace it with the Cylinder Recirculating market model. This will be implemented with the construction and operation of some LPG Bottling Plants and other infrastructure required for the roll-out of the new model in 2018.

MINISTRY OF BUSINESS DEVELOPMENT

25. Government has begun the construction of the largest Green House Estate (75 Units) in West Africa at Dawhenya in the Greater Accra Region;
26. The National Entrepreneurship and Innovation Plan (NEIP) and the National Business Plan Competition were launched;
27. Four Zonal NEIP Operational Offices were established in Tamale, Kumasi, Takoradi, and Accra and 75 Domes at the Greenhouse Estate at Dawhenya; and
28. In 2018, Government will develop and implement a comprehensive National Entrepreneurship Policy and continue to facilitate and support private sector business entrepreneurial development.

MINISTRY OF EDUCATION

29. To provide equitable access and quality education to enable all Ghanaians contribute effectively to the development and growth of the country as in SDG 4, Government undertook the following programmes and projects:
- The Capitation Grant was increased by 100 percent from GH¢4.50 per capita to GH¢9.00, in to fulfillment of Government promise to make basic education free and ensure participation by all.
 - The implementation of the Complementary Basic Education (CBE) Programme is in its fourth cycle and operational in 43 districts of the three (3) Northern, Brong Ahafo, and Ashanti Regions. The CBE will be expanded to 14 more districts to benefit an estimated 40,000 out-of-school children in 2018.
 - Free SHS Programme commenced in September with first year students in public Senior High Schools and Technical and Vocational Institutions. Government absorbed all fees approved by GES Council for 353,053 first year students. The programme will continue with the second batch in 2018.
 - Government restored the Teacher Trainee Allowance to cover over 49,000 trainees from 41 public Colleges of Education for the 2017/18 academic year. A projected 52,000 Trainees will benefit from the Teacher Trainee Allowance in the 2017/18 academic year.

MINISTRY OF HEALTH

30. To ensure a healthy population and work towards the attainment of SDG 3 which is to, “ensure healthy lives and promote well-being for all at all ages”, Government undertook the following activities in 2017:
- Health Trainee Allowance was restored to cover 54,840 trainees from 77 Public Health Training Institutions nationwide;
 - Mental Health Coordinators were deployed at regional and district levels to help decongest the national psychiatric hospitals;
 - Government decentralized the storage of 50 percent of all health commodities to its Regional Medical Stores to reduce risk associated with centralizing the bulk of health commodities at the Central Medical Stores; and
 - In 2018, Government will focus on activities directed at reducing mortality, especially maternal and neonatal, disability and improve the quality of life, through increasing access to quality health services and improving efficiency in governance and management of the health system.

MINISTRY OF SANITATION AND WATER RESOURCES

31. To improve sanitation and ensure quality supply of water for all as in line with SDG 6, Government achieved the following:
- Public awareness and education campaigns on water conservation and protection were held to sensitize over 170 water managers and practitioners in 18 districts in the Central, Northern, Upper East, Upper West, and Volta regions;
 - Dam Safety Regulations LI 2236 was adopted to support the development, management, commissioning, and decommissioning of diverse water storage facilities throughout the country to enhance the implementation of the “One-Village-One-Dam” initiative;
 - The fight against illegal mining (Galamsey) resulted in improvements in water quality. The Flood Early Warning System (FEWS) was also improved to aid accurate flood forecasting in the White Volta basin in the course of the year; and
 - Government will continue the roll-out the implementation of the Total Sanitation Campaign to make Accra and all regional capitals clean. Government will provide 200,000 household toilets and 20,000 Institutional latrines through the ‘Toilet for All’ agenda in 2018.

POLICY INITIATIVES

STATUS OF THE 2017 BUDGET POLICY INITIATIVES

32. A number of taxes were abolished in 2017 including the following:
- One percent (1%) Special Import Levy imposed on imported raw materials and machinery;
 - 17.5 percent VAT/NHIL on Financial Services;
 - 17.5 percent VAT/NHIL on domestic airline tickets;
33. Government introduced paperless transaction at the Ports, which significantly reduced transaction time and increased revenue.
34. Government under the IPEP established ten-member regional implementation teams who conducted constituency needs assessment to identify priority projects that are consistent with priority areas in all 275 constituencies.
35. Three (3) Bills for the establishment of the three (3) Development Authorities (DAs) namely, Northern Development Authority (NDA), Middle-Belt Development Authority (MDA), and Coastal Development Authority (CDA) were laid before Parliament.
Major milestones achieved under the Planting for Food and Jobs programme nationwide include:

THEME “Putting Ghana back to work”

- the distribution of about 80,000 bags of cereal and legume seeds, 36,000 sachets of vegetable seeds and about 2,000,000 bags of fertilizer;
- recruitment of 822 agricultural extension personnel; and
- electronic registration of over 34,000 farmers out of more than 200,000 manually registered.

POLICY INITIATIVES FOR 2018

The Akufo-Addo Programme for Economic Transformation (AAPET)

36. The “Akufo-Addo Program for Economic Transformation (AAPET)” will, by mobilizing and leveraging public, private, and public-private partnership investments, modernize and transform agriculture, develop linkages that will accelerate the industrialization of our economy, and develop major infrastructure projects that support the agricultural zones of the country and industrialization agenda of Government. Under the Program government will:
- Ramp up investments under the Planting for Food and Jobs;
 - abolish duties on some agricultural produce processing equipment and machinery;
 - Support the development of agribusiness start-ups through the establishment of a grant funding facility;
 - Establish a GH¢400 million fund to de-risk the agriculture and agribusiness sector through sustainable agriculture financing and crop insurance schemes;

FINANCIAL SECTOR INITIATIVES

37. To achieve an efficient financial sector with innovative and long term financing instruments to support economic development, Government will design the requisite financial architecture that is capable of mobilising resources through the following:
- Launch a national development bank, with the capacity to mobilize private capital towards agricultural and industrial transformation, among others.
 - Restructure the Ghana Infrastructure Investment Fund (GIIF) with the capability to mobilise foreign private capital for critical infrastructure development using a private sector model; and
 - Enhance the capacity of Ghana Exim Bank to support agriculture and industrialisation for export.

ENERGY SECTOR POLICY INITIATIVES

38. Government in 2018, will work towards keeping the lights on at affordable rates to consumers, particularly industries and small businesses through reform and policy interventions over a two-year period. To give relief to the poor whose individual consumption falls in the subsidised life-line category but who live in a compound house, the existing 4-tier tariff classification of residential consumers will be collapsed into Lifeline and Non-Lifeline

consumers in phases. On the basis of these interventions, if government recommendations to PURC are accepted, consumers will be expected to benefit from reductions in electricity tariffs. The expected average tariff reductions across various customer categories will be as follows:

2018 Electricity Tariff Proposals	
Customer Category	Average Reduction
Residential	13%
Non Residential	13%
Special Load Tariff- Low Voltage	13%
Special Load Tariff -Medium Voltage	11%
Special Load Tariff -High Voltage	14%
High Voltage Mines	21%

REVENUE MEASURES

39. As a policy to stimulate investment and to shape economic behaviour, the following policies will be introduced in 2018:

- Tax Breaks to help Position Ghana as a Higher-Education Hub;
- Grant tax Incentives for Young Entrepreneurs of age 35 years and below who start their own businesses holidays based on the number of persons employed;
- Review the current income tax thresholds by pegging the tax-free threshold to the current minimum wage in an effort to protect low-income earners and ensure fairness in our income tax administration;
- Introduce a Voluntary Disclosure Procedures (VDP) in the Revenue Administration Act, 2016 (Act 915) to waive penalty on voluntary disclosures and payment of unreported and understated taxes by taxpayers within a period agreed with the Commissioner- General of GRA.
- Extension of National Fiscal Stabilisation Levy (NFSL) and Special Import Levy (SIL) to end 2019: as a short term measure as efforts are made to improve compliance.

EXPENDITURE MEASURES

40. Government in 2018 would undertake a comprehensive review of pay systems to attract and retain skilled personnel to the public. Government will accelerate the full roll out of the Human Resource Management Information system (HRMIS) to cover all MDAs, MMDAs and Subvented institutions by the end of June 2018.

41. As a continuous measure to decentralise salary validation and ownership by management units across the country, government will leverage the

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existence of Internal Audit Units in the various MDAs and MMDAs across the country to provide assurance on Electronic Salary Payment Validation (eSPV) and HR validation.

OTHER POLICY INITIATIVES

42. The Ministry will work with GET FUND to set up a **Voluntary Education Fund** to enable Ghanaians make voluntary contributions to support education.

