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## Ghana - 2012 Financial Year Budget

### Introduction

On Wednesday, 16th November, 2011 the Minister for Finance & Economic Planning presented to Parliament the Budget Statement and Economic Policy of the Government of Ghana for the 2012 Financial Year. The 2012 Budget Statement projects an overall growth rate by more than 8%. Inflation is projected to remain stable at a single digit of 8.7%.

The other targets as projected are as follows:

- Real non-oil GDP growth of 7.6%;
- Real overall GDP growth of 9.4%;
- Average inflation of 8.7%;
- End-period inflation of 8.5%;
- Overall budget deficit equivalent of 4.8 per cent of GDP; and
- Gross international reserves of not less than three months of import cover for goods and services.

The above targets are laudable if Government can do well to achieve them since they set the stage for the overall growth and development of Ghana. Thus in setting out to achieve the above targets, Government has spelt out the following measures in the Budget:


### Resource Mobilisation

Government is projecting total oil and non-oil revenue and grants for the 2012 budget year to be at GHS15,614.3 million which is an equivalent of 22.4 percent of GDP. It is gratifying to note that the non-oil component is 20.6% and the oil component is 1.3%. This implies that Government is not relaxing on enhancing domestic revenue mobilisation from its traditional sources before the advent of oil.

The key resource mobilization initiatives espoused in the budget areas follows;

- Taxation of Professionals and Informal Sector so as to double the contribution to domestic revenue from this sector.
- The VAT registration threshold to be raised from an annual turnover of 90,000 to 120,000. Businesses below the threshold will pay a presumptive tax of 3 per cent of turnover in addition to the VAT Flat Rate of 3%.

Government will offer a tax amnesty to taxpayers by way of waiving any interest and penalties due on outstanding tax liabilities to enable them pay up any such outstanding tax liabilities.

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- Taxation of mining activities will be as follows:
  - Corporate tax rates will be increased from 25 per cent to 35 per cent;
  - A windfall tax of 10 per cent will be collected;
  - A uniform capital allowance of 20 per cent for five years.
- Income tax thresholds and brackets are revised as follows:

	<b>Income Band</b>	<b>Rate</b>
First	1,440	Free
Next	720	5%
Next	1,008	10%
Next	25,632	17.5%
Exceeding	28,800	25%

- Government will grant excise duty reduction on a sliding scale to companies using local raw materials as substitutes in the production of excisable goods. This is a good boost for local content participation as well as empowerment of producers of local raw materials.
- There will be an improvement in the monitoring of Free Zones transactions.

### Expenditure

The projected expenditure for 2012 is GHS18,983.2 million which is equivalent to 27.2 per cent of GDP. It is thus evident that the expenditure outweighs the revenue streams projected thus leaving a budget deficit. The projected amount of capital expenditure of GHS5,697.9 million is clearly insufficient for growth purposes.

### Overall Budget Balancing and Financing

The overall budget deficit is projected at GHS3,368.8 million which is equivalent to 4.8 per cent of GDP. The Government intends to finance this deficit from a combination of domestic and foreign sources. Net domestic Financing of the deficit is estimated at GHS1,665.9 million which is equivalent to 2.4 per cent of GDP, whereas net financing from foreign sources is estimated at GHS1,572.3 million which is equivalent to 2.3 per cent of GDP. The Chinese Development Bank (CDB) loan is estimated to disburse GHS1,201.8 million in 2012.

The reduction in the net financing from foreign sources compared to net domestic financing underscores Governments plans to have recourse to domestic resource mobilisation vis-à-vis external support and funding. However, the Chinese Development bank loan component makes this assertion debatable as it goes to shore up the net foreign financing.

### Monetary Sector

In keeping the inflation at the target rate of 8.7 per cent in 2012 the Bank of Ghana is to stand ready to adjust its policy rate in support of this target.

### Food and agriculture

The government intends to construct two harbours At Elmina and James Town and 12 landing sides along the coastal towns of the country, spanning the Central Region and the Volta Region. The Government will also expand the Agriculture Subsidy Programme to include liquid fertilizers and improved seeds.

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The Accra Plains Irrigation Project and an irrigation Dam will be commenced. A Fisheries College will also be established at Anomabu, in collaboration with the University of Cape Coast.

COCOBOD will rehabilitate 1,000 hectares of small-to-medium scale coffee farms. This is a good and laudable step by Government as it shows diversification as well as expansion of the existing foreign exchange earner, cocoa.

### Energy

The power generation capacity of the nation will be expanded by additions to the national grid as well as the completion of the Takoradi 3 Thermal Project. Government will extend electricity supply to most communities in the Regions.

Government will construct tanks for gasoline, diesel and kerosene storage for the BOST Petroleum Terminal in 2012. There will also be the construction of LPG satellite storage depots at Kumasi, Savelugu and Mami Water.

### Water Resources, Works and Housing

Government will provide 4,000 new boreholes countrywide. The installation of the 60,000m<sup>3</sup> sea water desalination plant at Teshie to improve water supply to the area will be undertaken in 2012.

The Government will also facilitate private sector companies to commence the construction and delivery of safe, decent and low income affordable housing units. This will help alleviate the housing deficit in the country.

The government also plans to undertake the Takoradi Port Expansion Project and the Multi-Modal Transport Project that links Tema port by rail to the Volta Lake. This will be financed under the Chinese Development Bank Loan, and so will the coastal fishing harbours and landing stages.

### Transport

Government intends to undertake the Reconstruction of the Western Line, also to be financed under the China Development Bank (CDB) facility. This is a laudable project to link up all sectors of the economy.

### Roads and Highways

The following projects in the Western oil & gas enclave will commence in 2012 – Agona-Nkwanta – Dixcove road, Busuta Junction – Busuta Road, Princes Junction – Princess Town road, Sankor Junction – Cape Three Points road and Mpataba Junction – Half Assini – Jewi Wharf road. This should be a welcome relief to people of the Western Region and the nation as a whole since their fair share of the revenue inflows from oil & gas can be achieved.

### Education

Government will provide monetary amounts as intervention packages for capitation grant, free school uniforms, free exercise books and subsidies to basic and senior high schools. This will further enhance the development and growth of the FCUBE policy and ensure all children of school going age be in school.

Infrastructure facilities and installation equipment in the University of Energy and Natural Resources in Sunyani and The University of Health and Allied Sciences in Ho with a campus in Hohoe will commence in 2012.

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### Health

Government will continue to focus on bridging equity gaps in health delivery; strengthen governance and improve efficiency and effectiveness of the health system; improve access to maternal, neonatal, child and adolescent services, among others.

### Policy Initiatives

The following policy initiatives are being contemplated for 2012:

- Public-Private Partnership
- Local content Enhancement
- Social Intervention Programmes
- Youth Employment
- Improving Competitiveness of the private sector
- SME development
- Developing the Cocoa industry
- Establishment of the centre for Entrepreneurship Employment and Innovation

### Conclusion

The 2012 Budget indeed contains laudable propositions but these remain mere promises unless Government comes out with some specific details of the approach to attaining the set objectives for scrutiny and appraisal.

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