

PRESS BRIEFING

Theme: *Ghana – The Turn Around Story*



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Minister for Finance
9th February, 2016



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1. Introduction



Purpose of the Press Briefing



- ▶ Over the last 2½ years, we have followed a path of fiscal consolidation, whilst also investing in the real and social sectors
- ▶ The prospects also remain bright as the country transitions to lower middle income country.
- ▶ This presents an update on the 2016 Budget Statement and Economic Policy of Government to the people of Ghana and our other stakeholders.
- ▶ The goal is to enhance transparency and accountability in economic management



2. The Turn Around Story



Turn around Indicators



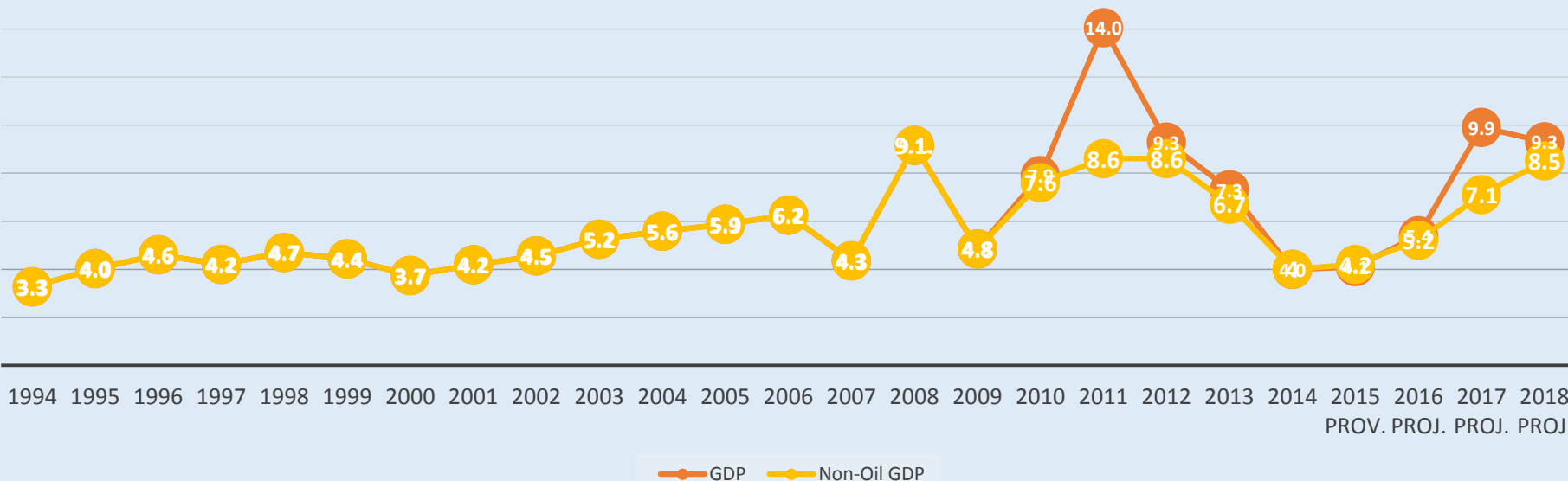
Indicator	2012	2013	2014	2015	2016*
Fiscal Balance (% of GDP)	-11.5	-10.1	-10.2	-7.0	-5.3
Primary Balance (% of GDP)	-8.2	-5.4	-3.9	-0.2	1.3
Wage/Tax Revenue (%)	53.3	57.6	49.1	44.2	40.6
Current Account Balance(% of GDP)	-11.7	-11.9	-9.6	-8.2	-7.4
Interest Rate (91-day T-bill)	23.1	19.2	25.8	22.9	
Inflation (%)	8.1	13.5	17.0	17.7	10.0
Real GDP Growth (%)	8.0	7.3	4.0	4.1	5.4

Improvement in Growth



► Despite the challenging global environment, Ghana's growth remains remarkable

- Growth expected to improve significantly in the medium term: start of commercial production in Jubilee, TEN and Sankofa-Gye Nyame Fields.
- Stability in power supply resulting in gradual pick-up of manufacturing and other economic activities in 2016



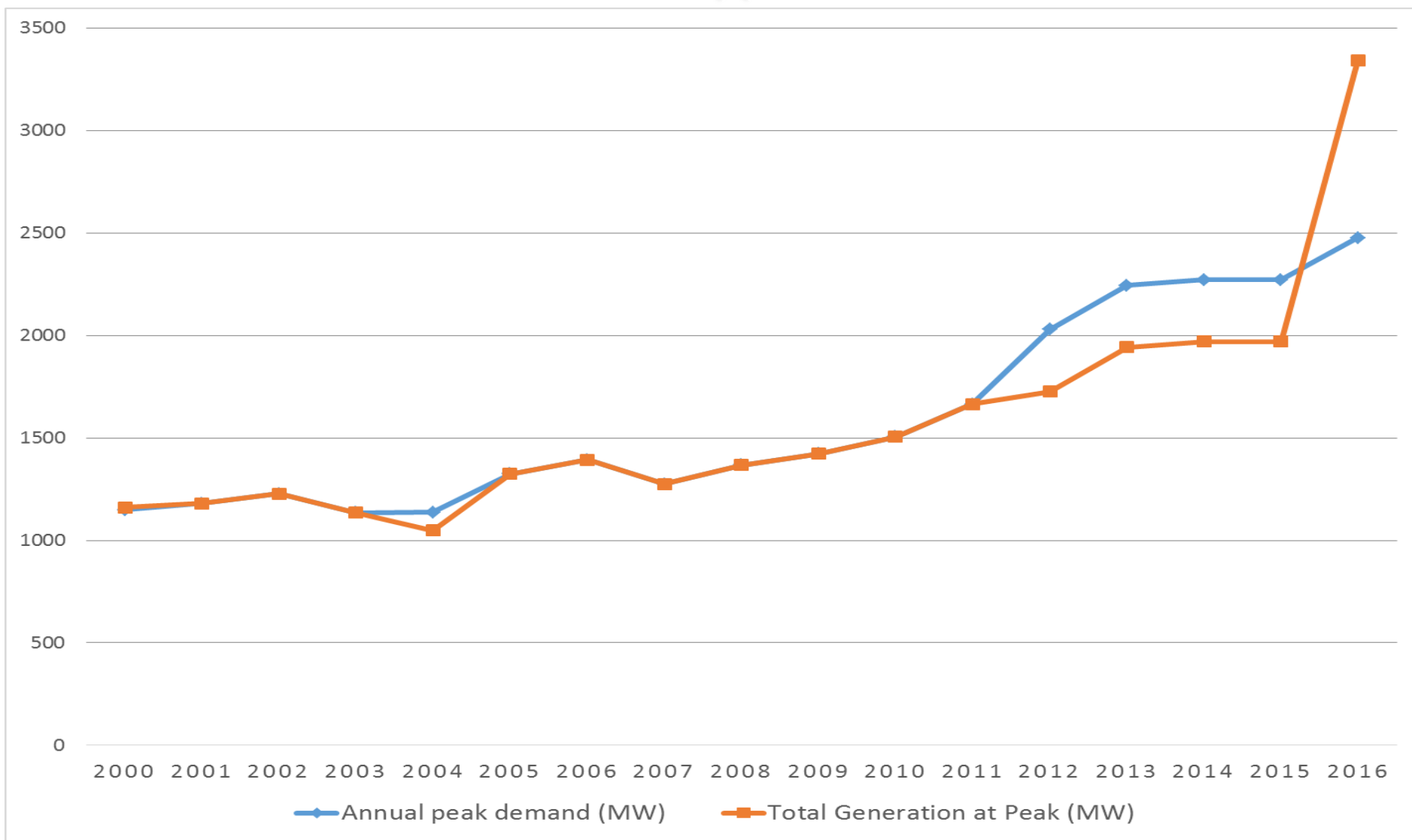
Plugging the Power Deficit



Implementation of short term and longer horizon projects to address the power shortfalls

Name	MW	Status
Karpowership	225mw	Running
Ameri	250 MW	Running
Asogli Phase II	360 MW	Expected in June 2016
Tico Expansion	110 MW	Running
VRA T2PP		Mechanical Completion

Plugging the Power Deficit



Ensuring Financial Viability of Energy SOEs



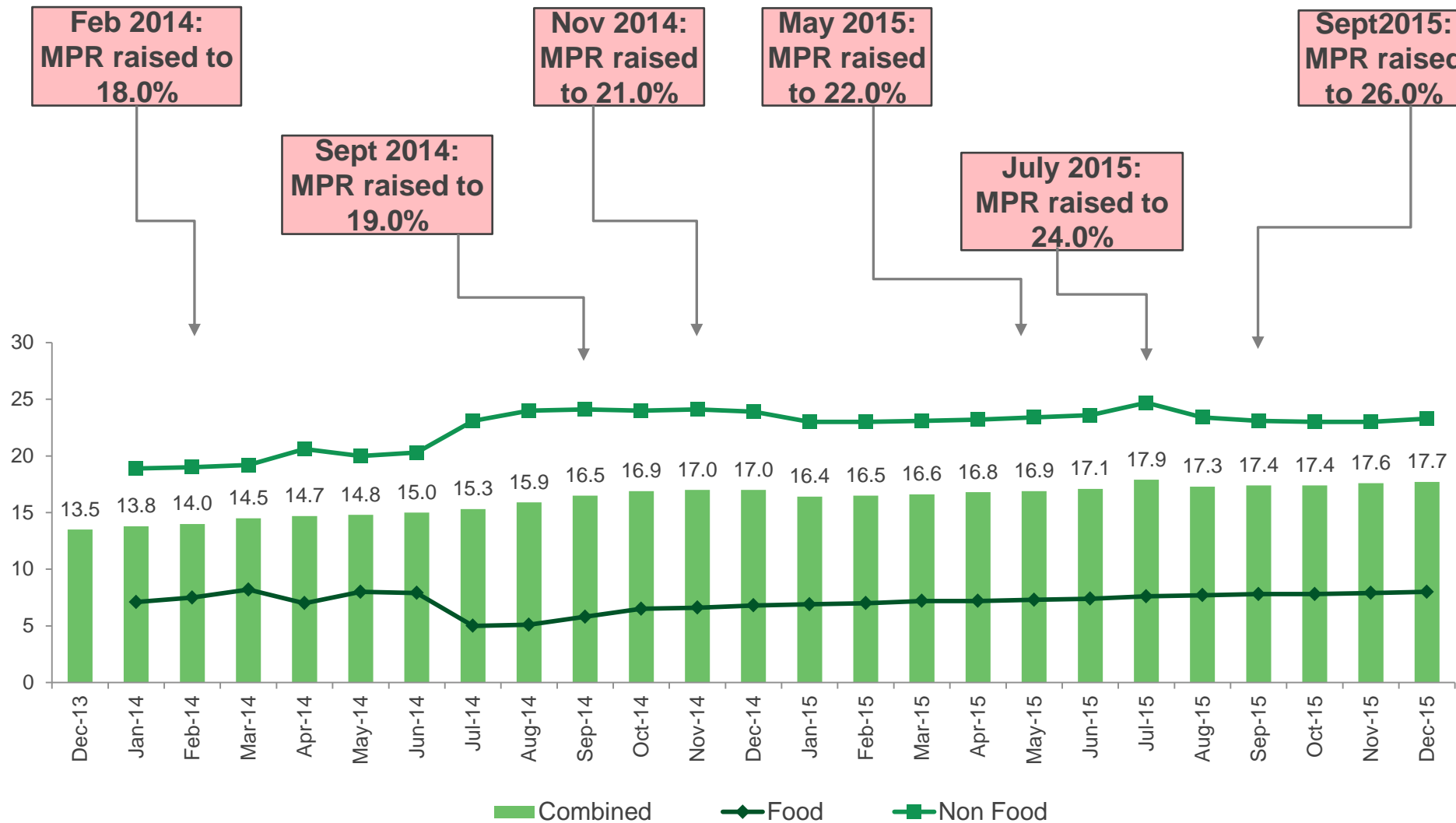
- ▶ **The SOEs in the energy sector have faced financial challenges that have affected their viability**
- ▶ **This necessitated the introduction of the energy sector levies – the game changer for financial sustainability for the sector.**
- ▶ **The sustainable financing will improve energy production and supply, thereby, promoting growth and protect jobs.**
- ▶ **The levies imposed are intended to be temporary.**
- ▶ **In spite of the increase in the electricity tariffs and the rationalization of the energy levies, Gov't recently reduced electricity tariffs for lifeline consumers and other vulnerable groups to cushion them.**

Inflation Heightened But Stabilising



- ▶ **Cedi depreciation and fuel price adjustments have pushed headline inflation out of the target band.**
- ▶ **However, in recent months, a tight monetary policy stance; reduced exchange rate volatility; and lower crude oil prices have stabilized the outlook for inflation**

Inflation Heightened But Stabilising



Cedi Stabilizing



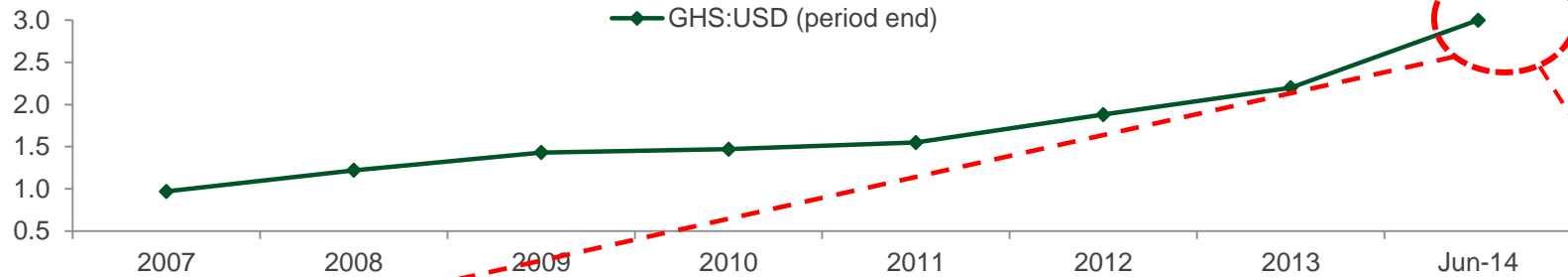
► The currency is stabilizing as inflows improve; seasonal pressures subside; and policy actions take effect

- H2 2015: FX inflows (cocoa, donor inflows, and bond proceeds) boosted reserves and investor confidence improved.
- Monetary policy: Monetary Policy Rate raised to 26%; Cash Reserve requirement raised from 9% to 11%;
- Further measures: Opening of 2-yr note to foreign investors; supporting the currency during volatile periods; and tightened customs operations, tariff classification and valuation

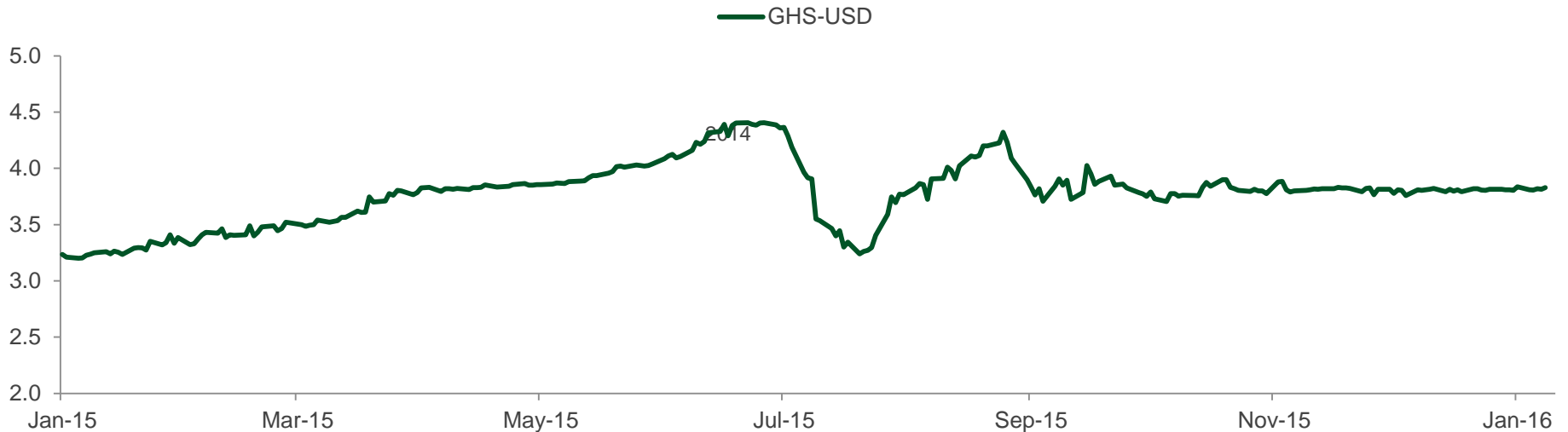
Cedi Stabilizing



Cedi continued to depreciate in H1 2015



H2 saw a significant stabilization



Strong Political Will Backs Fiscal Consolidation



	2012 Deviations		2013 Deviations		2014 Deviations		2015 Provisional		
	GHS mn	% of GDP ¹	GHS mn	% of GDP ¹	GHS mn	% of GDP ¹	GHS mn	% of GDP ¹	

Revenues

Corporate Income Tax (Oil)	(384.1)	(0.5)	311.0	0.3	214.3	0.2	-7.6	0.0	●
Non Oil Tax Revenue	(112.3)	(0.1)	(2,926.2)	(3.1)	(1,258.7)	(1.1)	-729.9	-0.5	●
Grants	(389.4)	(0.5)	(519.1)	(0.5)	(576.7)	(0.5)	-272.5	(0.2)	●

Expenditures

Wages and Salaries	1,028.0	1.4	777.6	0.8	229.7	0.2	246.9	0.2	●
Wage Arrears	881.0	1.2	922.6	1.0	5.5	0.0	401.4	0.3	●
Interest Payments	245.0	0.3	1,202.6	1.3	(803.8)	(0.7)	(368.3)	(0.3)	●
Utility & Fuel Subsidies	339.0	0.5	135.9	0.1	(145.1)	0.0	(25.0)	(0.0)	●
Goods & Services	354.7	0.5	(293.3)	(0.3)	691.6	0.6	242.9	0.2	●

Tax Revenue



- Tax and Non Tax Revenue Performance exceeds Targets

Description (GHC Mil)	2015 Budget	2015 Revised Budget	2015 Prov. Outturn	Deviation	Deviation (%)
Total Revenue and Grants	32,406	30,526	30,851	325	1.1%
Tax Revenue	25,406	23,128	23,913	785	3.4%
Taxes on income and property	11,229	9,411	8,707	-704	-7.5%
Taxes on domestic goods and services	9,472	9,348	9,699	350	3.7%
Taxes on international trade	4,706	4,369	5,508	1,139	26.1%
Social contributions	183	183	289	107	58.5%
Non-tax	5,267	5,214	4,920	-294	-5.6%
Grants	1,551	2,002	1,729	-272	-13.6%

Total Expenditure



- Expenditure rationalization efforts are bearing fruits

Description (GHC Mil)	2015 Budget	2015 Revised Budget	2015 Prov. Outturn	Deviation	Deviation (%)
Total Expenditure	39,153	37,930	37,846	-85	-0.2%
Compensation of Employees	12,313	12,313	12,310	-3	0.0%
o/w Wages and Salaries	10,286	10,286	10,533	247	2.4%
Use of Goods and Services	1,970	1,856	2,099	243	13.1%
Interest Payments	9,577	9,350	8,981	-368	-3.9%
Subsidies	50	50	25	-25	-50.0%
Grants to Other Government Units	7,409	7,190	6,651	-539	-7.5%
Social Benefits	61	61	0	-61	-100.0%
Other Expenditure (Tax Expenditure)	816	753	2,059	1,305	173.3%
Capital Expenditure	6,957	6,357	5,721	-636	-10.0%

Overall Balance and Financing



- Provisional numbers shows that budget deficit target is achieved for 2015

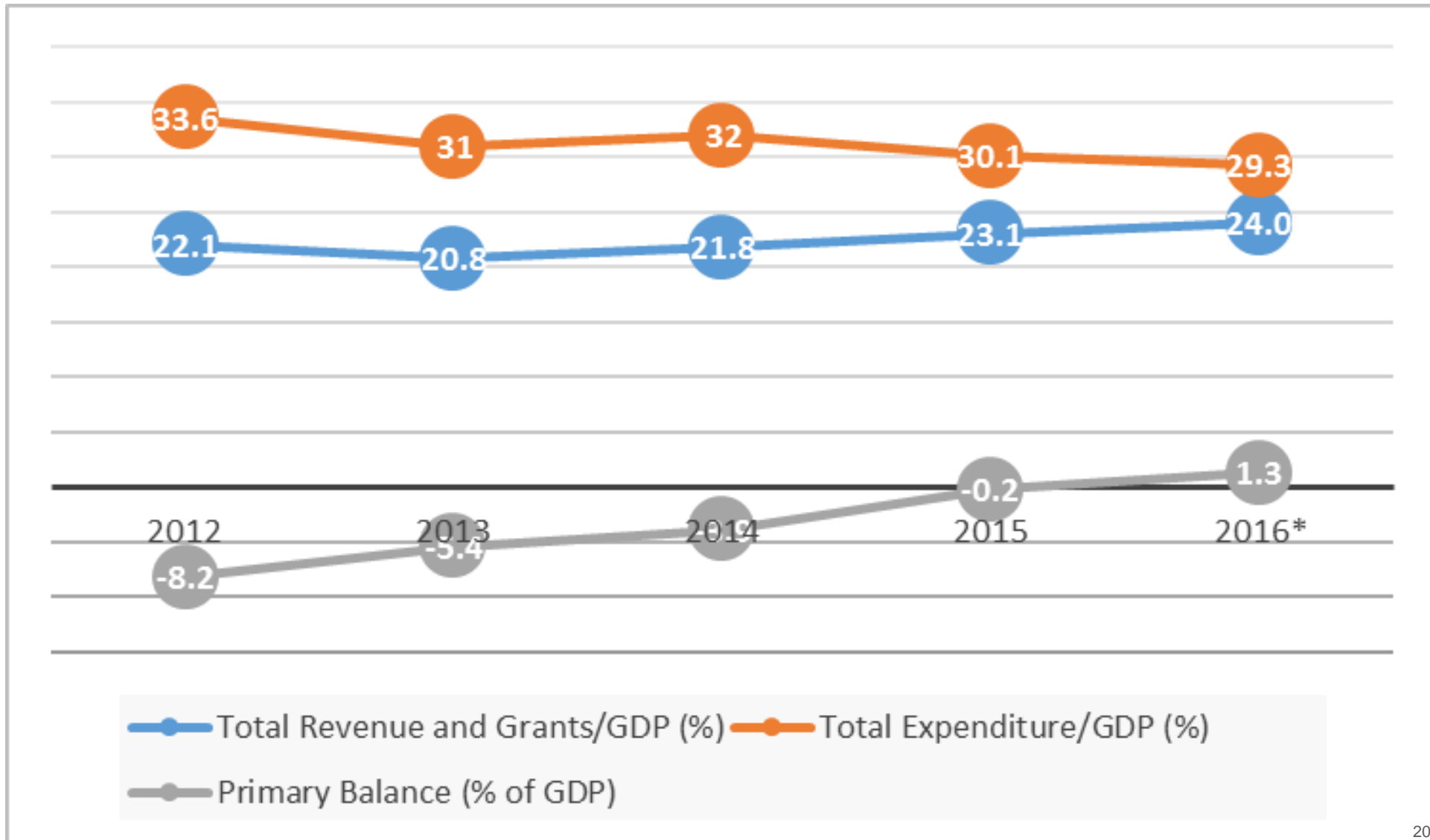
Description (GHC Mil)	2015 Budget	2015 Revised Budget	2015 Prov. Outturn	Deviation	Deviation (%)
Total Financing	8,816	9,727	9,296	-431	-4.4%
Foreign (Net)	1,256	4,749	5,602	853	18.0%
Domestic (Net)	8,612	4,979	2,410	-2,569	-51.6%
Petroleum	-627	0	390	391	
(% of GDP)					
Overall Fiscal Balance	-6.5	-7.3	-7.0	0.3	n/a
Primary Fiscal Balance	0.6	-0.3	-0.2	0.1	n/a

Fiscal Operations



- Fiscal Consolidation bearing fruits: gap between revenues and expenditures narrowing.
- Deficit has reduced from 11.5% of GDP in 2012 to a provisional 7.0% of GDP in 2015.
- Primary balance: expected to be positive in 2016 (was positive for the first time from Jan-Nov, 2015 since 2005).
- This translates to reduced debt accumulation

Fiscal Operations



Improved Debt Management Strategy



- New debt management strategies implemented (on-lending/escrow, sinking fund, refinancing, etc.)
- Maturity lengthening
- Growth in Public Debt Reduced Significantly,
- Public Debt to GDP Ratio tapering in 2015
- Declined in public debt stock between 2000 and 2006 due to HIPC/MDRI reliefs.

Growth in Public Debt Reduced Significantly, and Public Debt to GDP Ratio tapering in 2015



Growth in Public Debt Reduced Significantly, and Public Debt to GDP Ratio tapering in 2015

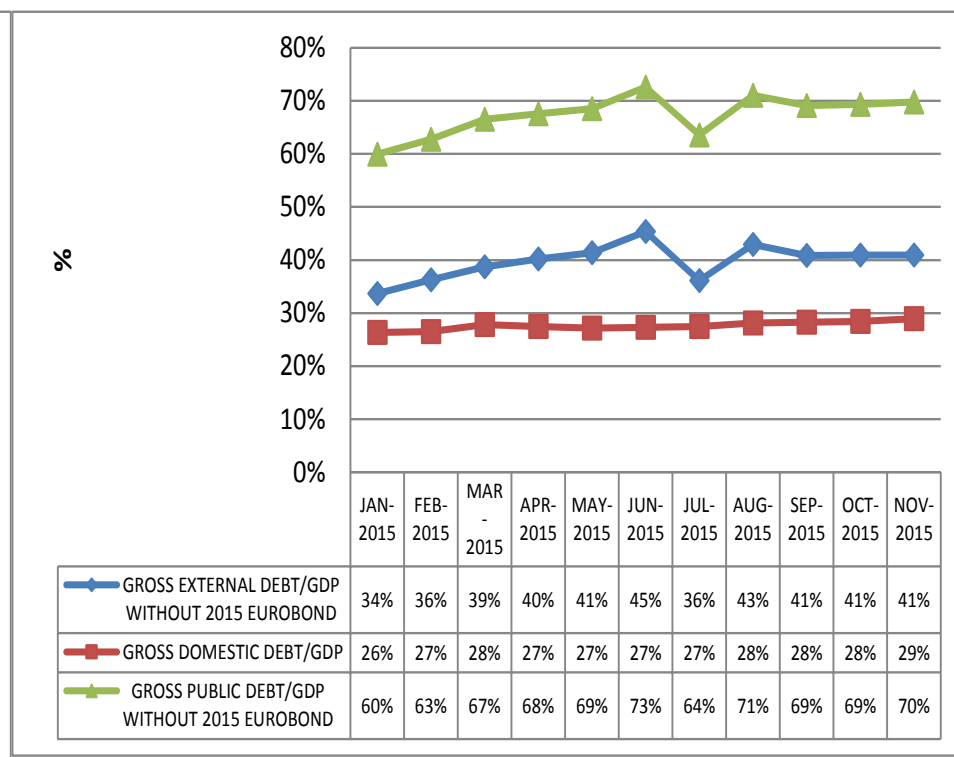
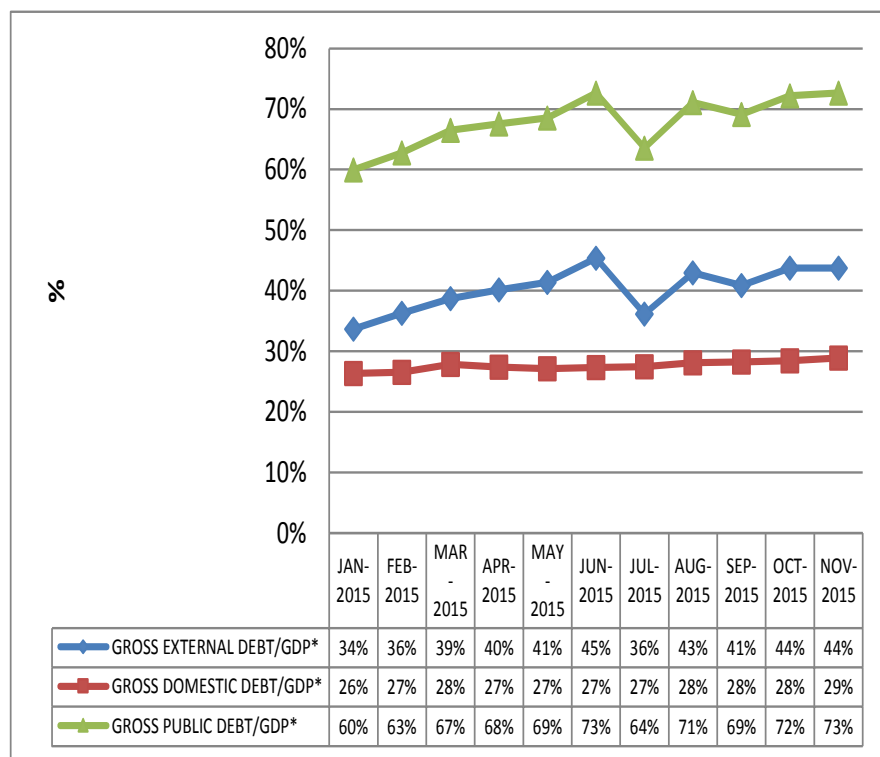


Public Debt Stock Stabilising



- Public Debt (Including Eurobond for refinancing) stood at 72.6% (Nov2015)

- Public Debt excluding Eurobond and maintaining domestic stock or Public debt after refinancing exercise stands at 70% of GDP

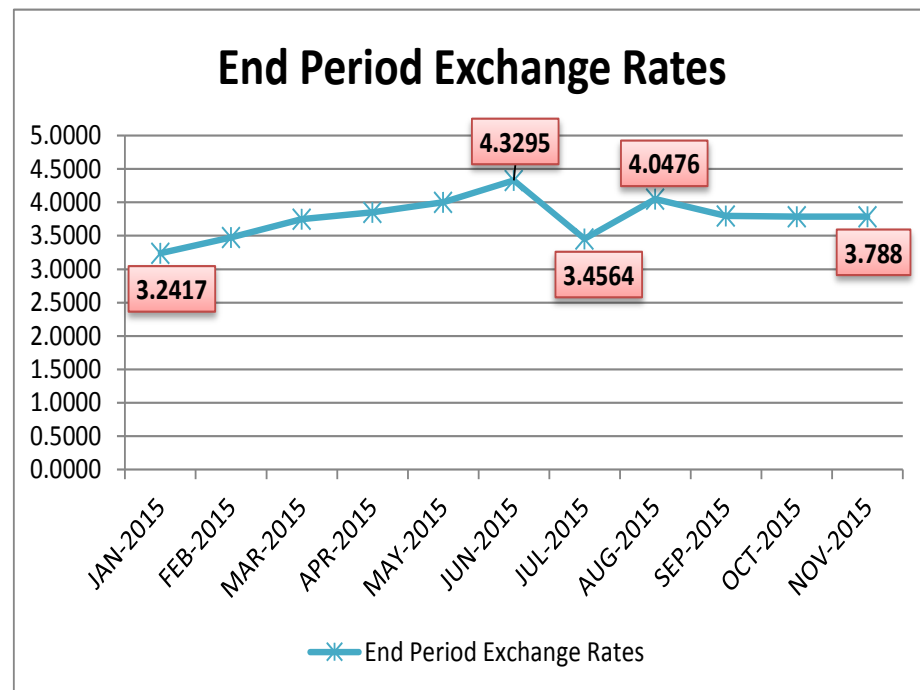
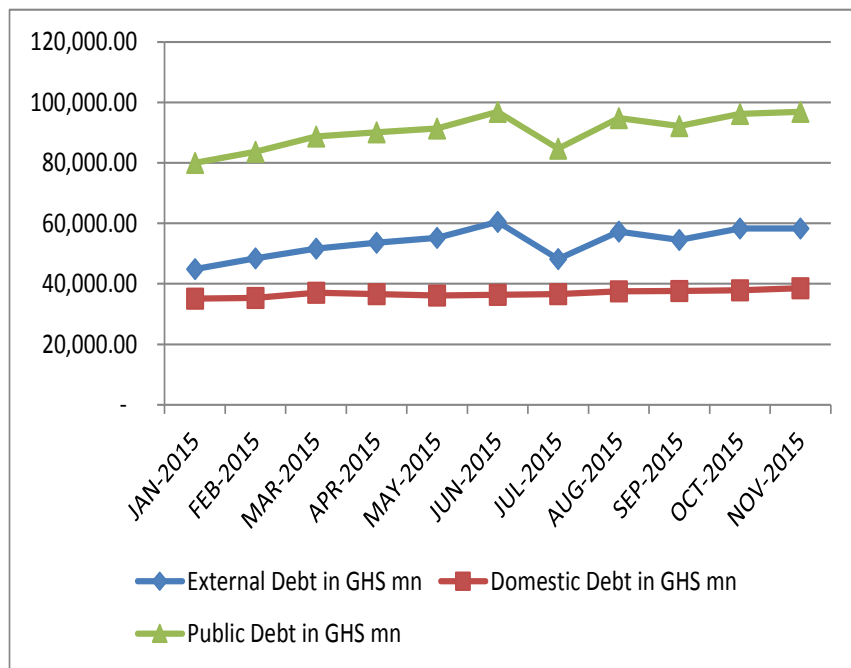


Public Debt Stock Stabilising



- Public Debt stood at GH¢ 93,064.8 million as at November 2015 mainly as a result of exchange depreciation

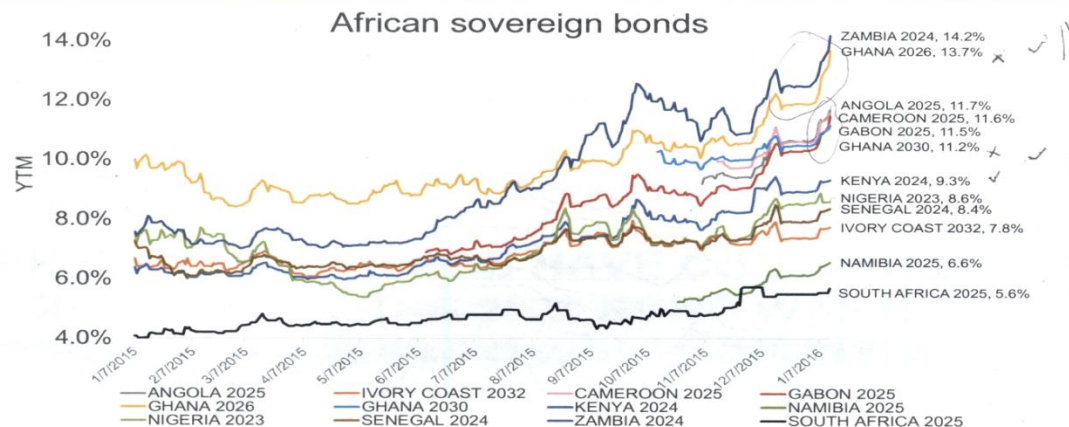
- Public Debt mimicking movements of exchange depreciation



Developments on African Sovereign Bond is not Ghana specific



MARKET IS CHARACTERIZED BY VOLATILITY AND ILLIQUIDITY



- Emerging market spreads widened significantly over H2 of 2015
- This trend continues in the early weeks of 2016 due to:
 - ✓ Increasing concerns about China's growth slowdown for commodities performance
 - ✓ Weakening fiscal positions for African Issuers as a result of commodity weaknesses
 - ✓ South African Sovereign credit rating downgrade and the increasing risk of further downgrades to sub-IG in line with Brazil



3. Facing the Risks to the Economy



Facing the Risks to the Economy



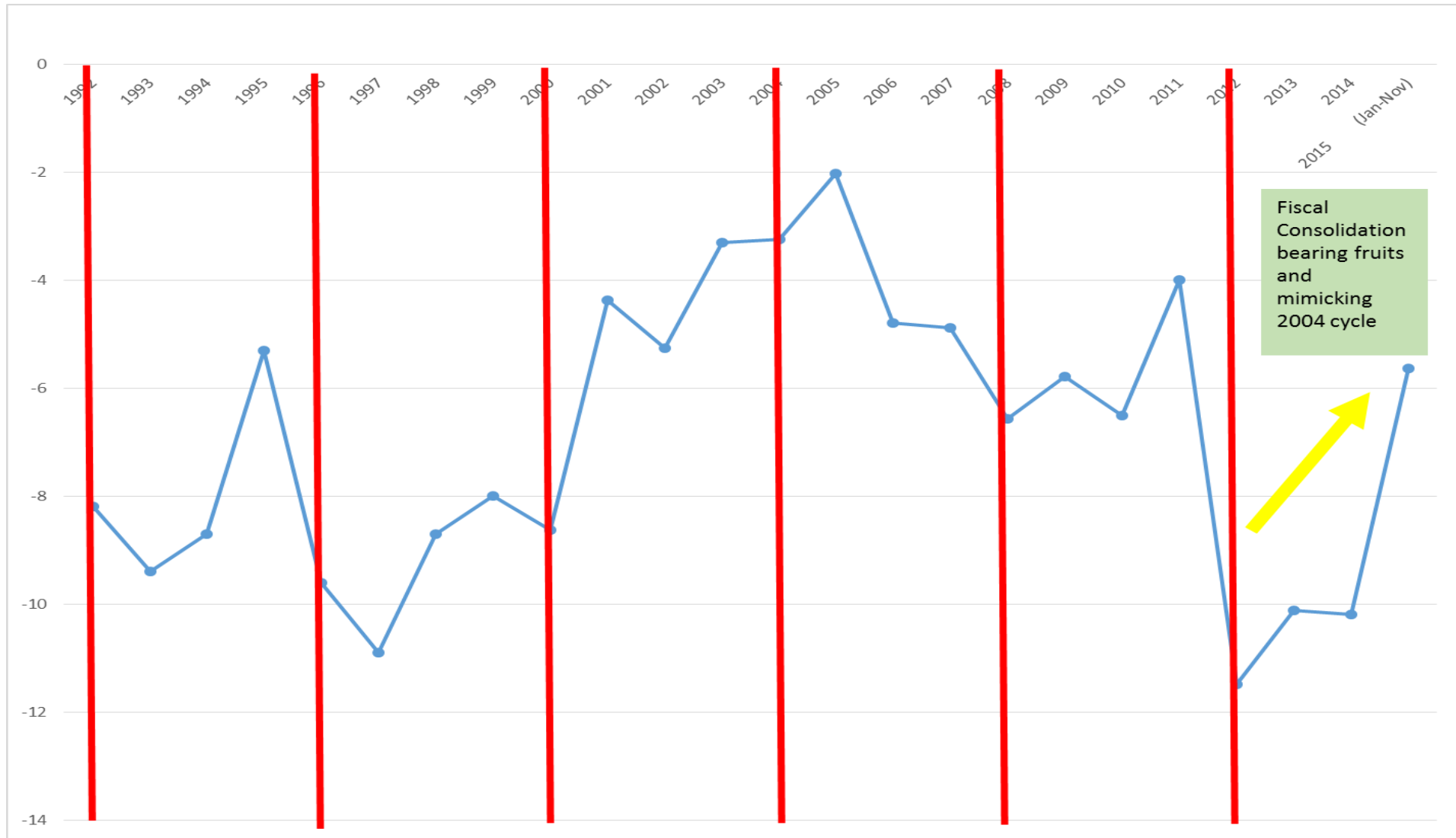
- Election Year Cycle
 - Wage pressures
 - Election-related expenditures
- Global Commodity prices remaining weak
- Lower global growth and persistent risk
- Power crisis (utility)

Containing Election Year Pressures



- Election years are characterized by large expenditures resulting in high fiscal deficit, high inflation, high interest rate, and unstable exchange rate, among others.
- Prudent measures are being taking to reverse this trend.
 - Commitment to automatic utility tariff and petroleum price adjustments, thereby, eliminating subsidies.
 - For the first time, wage negotiation were concluded before the 2016 budget was finalized.
 - Implementation of IMF three year Extended Credit Facility and related structural reforms, thereby, improving credibility in the budget and providing confidence.
 - Taking hard and unpopular decisions such as energy sector levies, utility tariff adjustment in an election year
 - High level political commitments on containment of election year expenditures

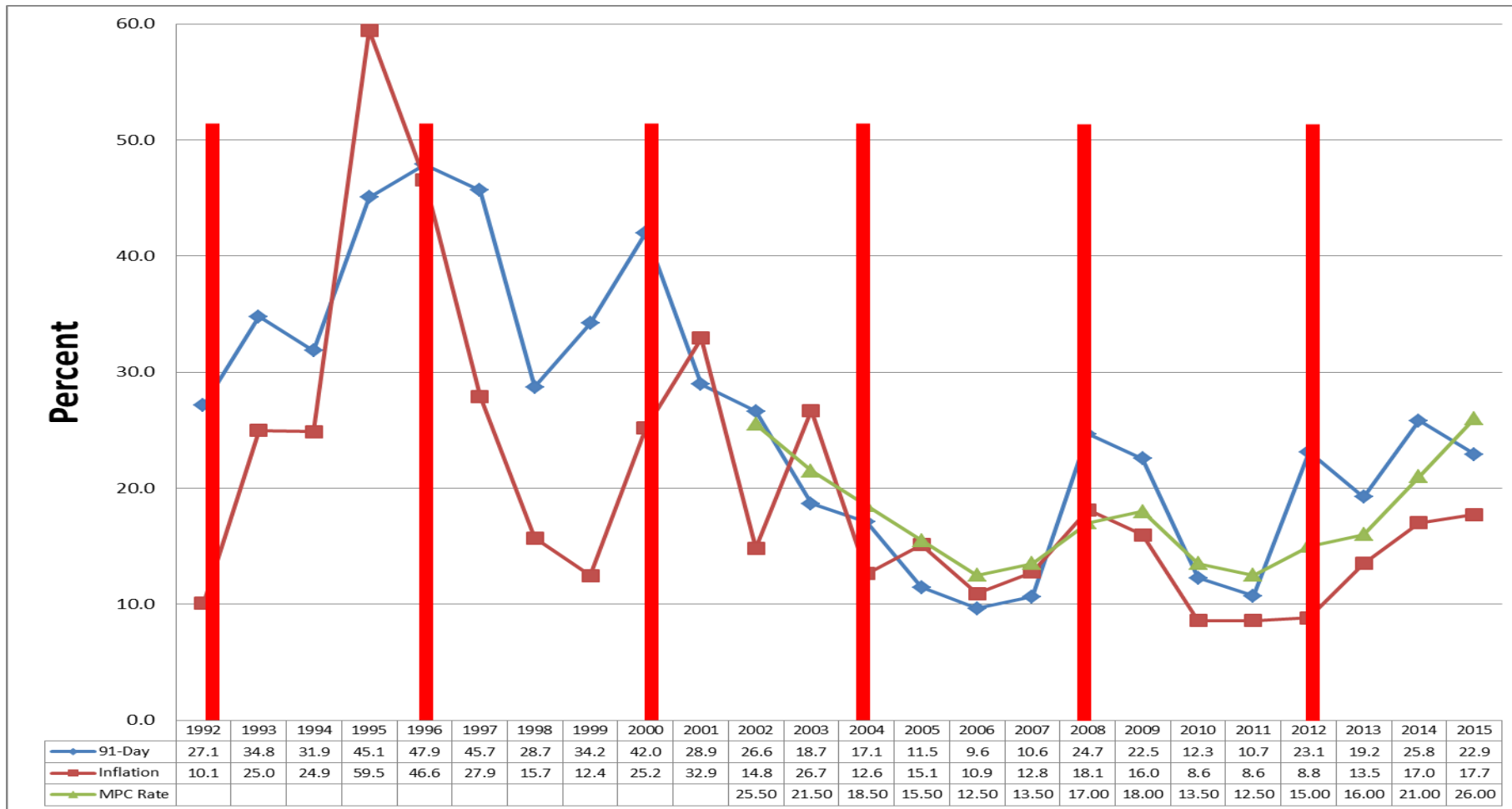
Budget Deficit in the Pre-Election year



MPC Rate, 91-Day, inflation in election years



Comparing the MPC rate, 91 day T-bill rate and point to point inflation, the variables move together in the same direction.

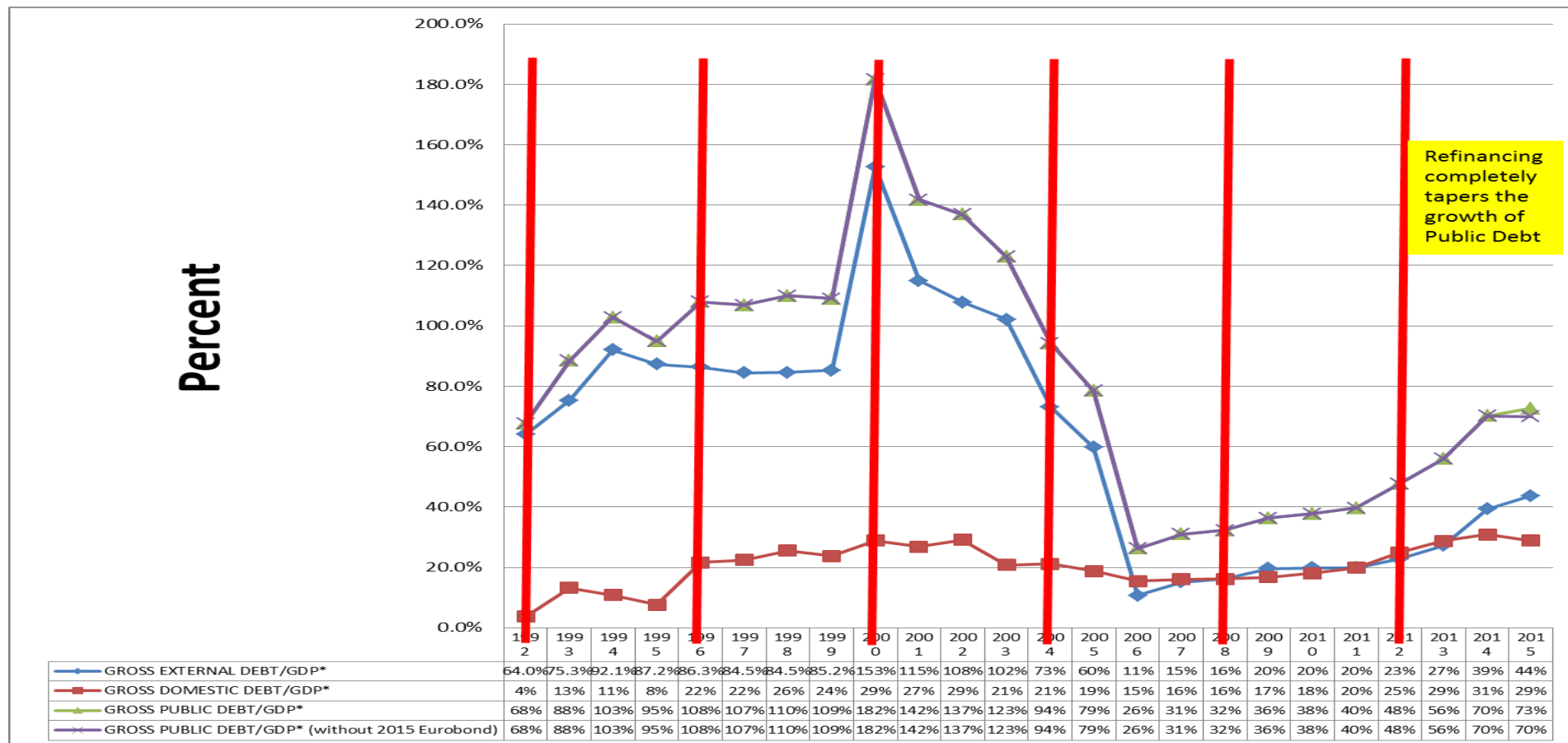


Public Debt and Election Cycle



Public Debt to GDP ratio tapering

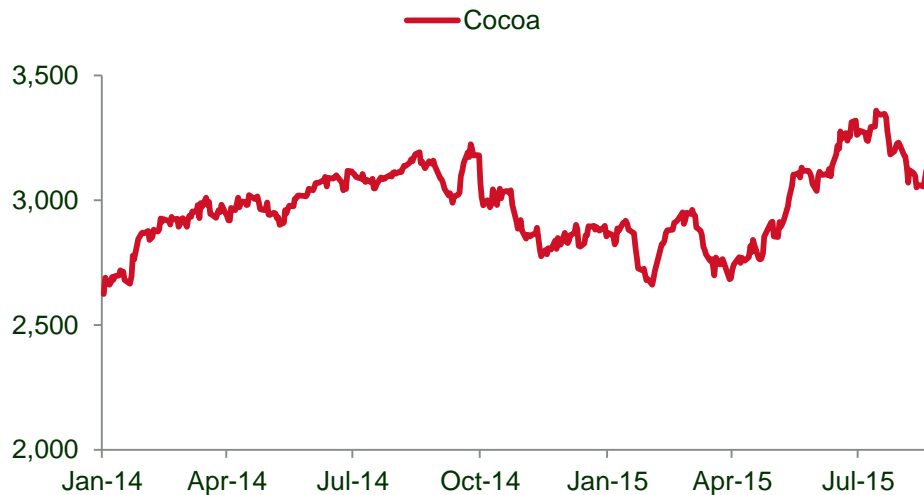
Debt Management Policies showing results



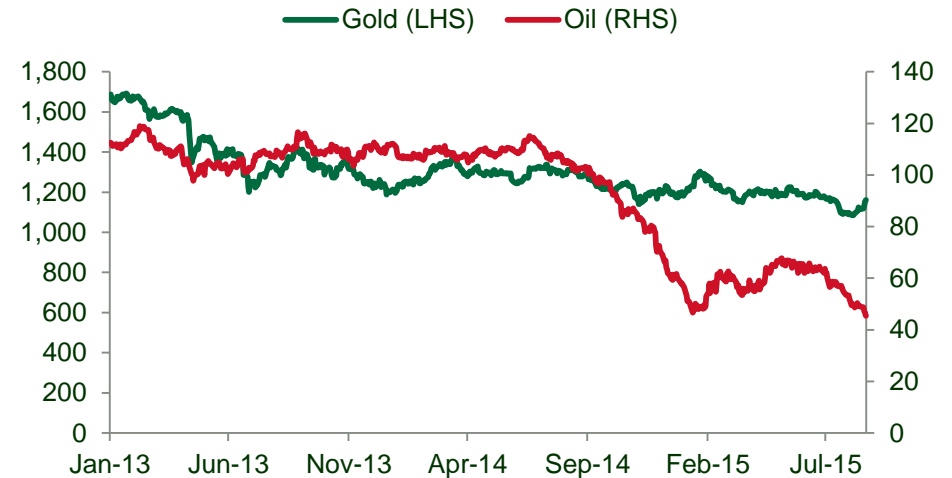


- ▶ The economic backdrop for 2015 remains challenging, making Ghana's numerous successes even more remarkable

Although Cocoa Prices Have Seen Some Recovery...



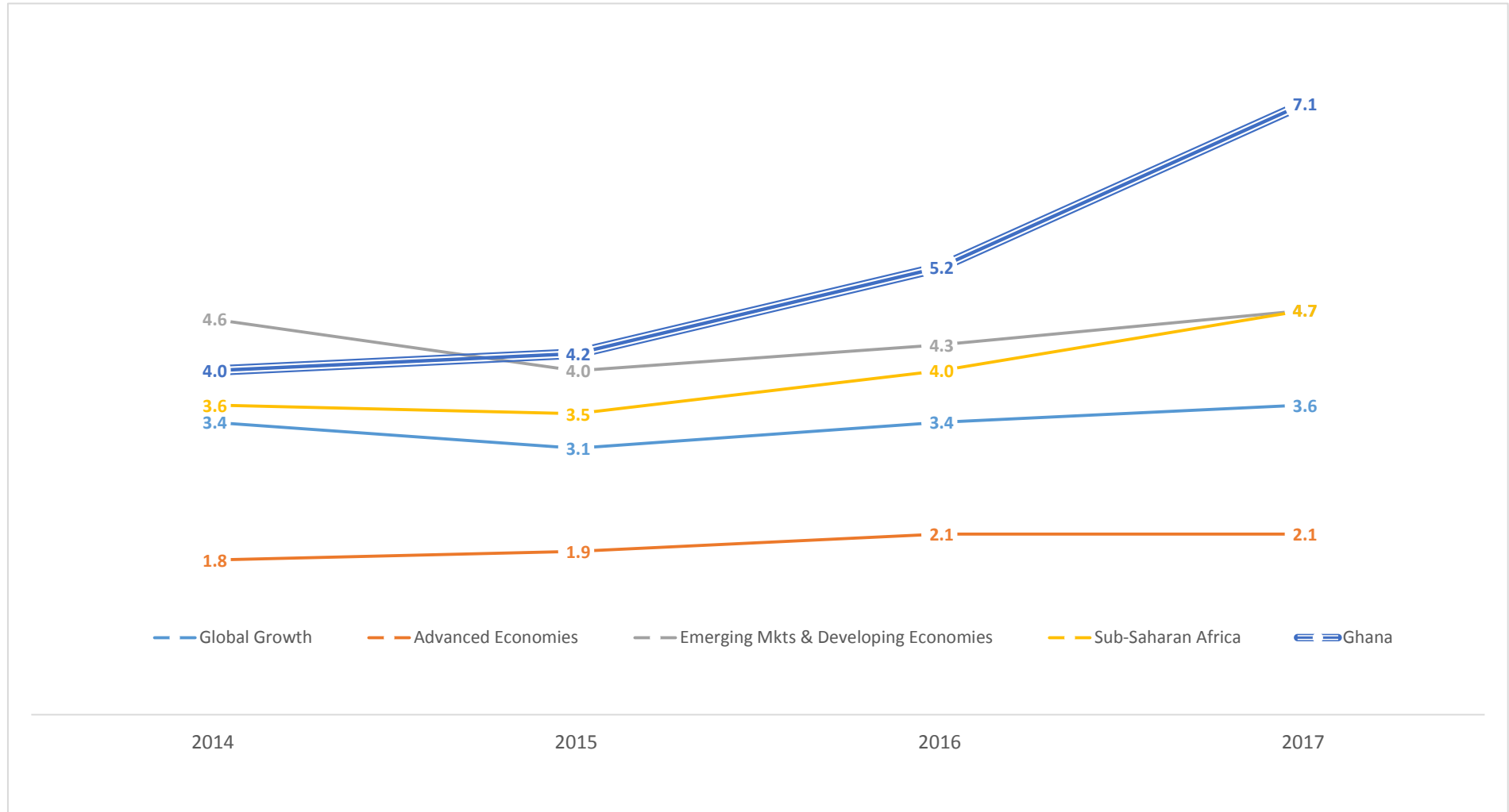
Oil and Gold Prices Remain Under Pressure





- ▶ **Global economic developments** shows downside risk due to slow down and rebalancing of Economic activity in China; lower prices for energy and other commodities, gradual tightening in monetary policy in the United States
- ▶ **Global growth** to inch up to 3.4% in 2016 from 3.1% in 2015
- ▶ Growth in Advanced Economies to rise from 1.9% to 2.1% in 2016
- ▶ Growth in Emerging Markets and Developing Economies to increase to 4.0%
- ▶ Growth in Sub-Saharan Economies to increase to 4.1%
- ▶ In contrast, Ghana expected to grow from 4.1% to 5.2%

Subdued Demand diminishes global developments



Containing the Risks



- Government has shown the highest commitment to maintain fiscal discipline
- Forecast in the 2016 budget was conservative so as to limit expectations
- International commodity price has both a plus and a minus. Positive developments for balance of payments position but has implications for Annual Budget Funding Amounts.
- Government is monitoring this over the next few months and take appropriate measures to contain it.
- The sectoral policies and oil and gas developments to insulate Ghana against lower global growth
- Possible revision of the 2016 Budget (as with 2015) to accommodate any further shocks to the budget.



4. Key Sectoral Programmes



Infrastructure and human settlements development



Transport and Logistics , Science, Technology and Innovation, ICT Development , Energy Supply, Social, Community and Recreation Infrastructure , Water, Environmental Sanitation

- **Transport:** Expansion of the Kotoka & Tamale International airports, expansion of Tema and Takoradi harbours & provision of 116 buses for public road transport.
- **Communications:** Deployed 800 kilometres optic fibre infrastructure which runs through 126 communities along the eastern corridor from Ho to Bawku with a link from Yendi to Tamale.
- **Energy:** Atuabo gas plant; 845 MW of power to add to the generation capacity.

- **Housing:** About 18,000 housing units are at different stages of completion.



5. Infrastructure and human settlements development



Aviation Services Programme: Expansion & refurbishment at the KIA. Government Policy to have aerodromes/airstrips in all 10 regions. The construction of a seven-storey Ghana Aviation Training Academy (GATA);

Maritime Services Programme: three 50-Seater high speed passenger ferries and one Modular Passenger/Freight Vessel along the Volta Lake;

Rail Transport Programme: Re-construction of the Sekondi-Takoradi via Kojokrom (western Line) to provide sub-urban passenger rail transport service between the twin cities of Sekondi-Takoradi.



Human development, productivity and employment



- **Hospitals:** Completion of the Tarkwa District Hospital; the Phase III of the Nkrankwanta, Wamfie, Kwatre, Bomaa and Techimantia polyclinics in the Brong Ahafo Region; and Phase II of Bolgatanga Regional Hospital.
- High-end medical imaging services were decentralized to the Koforidua, Sunyani, Ridge, Effia-Nkwanta and Cape-Coast regional hospitals whilst a non-invasive kidney stones treatment system was installed at KBTH, Tamale Teaching Hospital and Ridge Hospitals.

Dodowa District Hospital



Bamiankor SHS





4. Commitment to Reform Agenda





Tax Policy and Administration

- The GRA continuing on the TRIPS implementation
- frequent verification visits to monitor withholding Agents.
- Enforcement and Debt collection in addition to field and desk audits were strengthened during the period.
- Monitoring through compliance visits and frequent phone calls to taxpayers played a key role in achieving the target.

Public Financial Management Reform

- Draft Public Financial Management Law is prepared

Payroll Management

- The E-SPV is an Electronic Salary Payment Voucher system that allows for real-time validation of each employee **before** the payment of monthly salaries.
- From January to Sept 2015 alone 5,861 people deleted with a cumulative savings for the 9mnths of about **GHC111,256,375.44** .
- Head of Unit now determines who should be paid for a particular month

Treasury and Cash Management

- Cabinet has approved a Treasury Single Account and action plan is be

Other Reforms

- Health Insurance reforms
- Social intervention programs including school feeding



5. Bright Prospects



Ghana's Hydrocarbon Sector picks off



- ▶ **New discoveries in 2013 adds up to a total of 28 new fields discovered. Gas has also come on-line ushering in a new gas era in Ghana**

World-class partners helping to deliver key projects

- **TEN Project:** Recoverable reserves of 245 mmbbls of oil and 365 bcf gas. First oil expected in 2016/ 2017
- **Sankofa – Gye Nyame Project:** 116mmbbls of oil and 1,110bcf gas. First oil expected in late 2016 / early 2017
- **Western Corridor Gas Project:**
 - Pipelines installed and tie-in to the Jubilee floating production, storage and offloading vessel (FPSO) completed
 - Will supply 150 mm btu gas daily to VRA to fuel thermal power plants
 - Funded by a US\$850mn loan from CDB and US\$150mn counterparty funding from Government of Ghana
- 2 new discoveries in 2013 at Cob and PN-1 fields

Post-Jubilee discoveries being developed with world-class partners

Operator	Discoveries	Hydrocarbon Type	Status
GNPC	Ebony	Condensate/Gas	Marginal
TULLOW In	Tweneboa-1	Gas Condensate	Plan of Development
	Tweneboa-2	Oil	Plan of Development
	Owo/Enyenra-1	Oil	Plan of Development
	Ntomme	Oil & Gas	Plan of Development
	Wawa	Oil & Gas	Exploration
KOSMOS ENERGY	Odum-1	Heavy Oil	Marginal
	Teak-1	Oil & Gas	Appraisal
	Teak-2	Gas	Appraisal
	Banda-1	Oil	Marginal
	Mahogany Deep	Light Oil	Appraisal
eni	Akasa-1	Light Oil & Gas	Appraisal
	Sankofa-1	Gas	Appraisal Completed
	Gye Nyame-1	Gas	Appraisal Completed
HESS	Sankofa East	Oil & Gas	Exploration
	Paradise-1	Oil & Condensate	Exploration
	Hickory North	Oil & Condensate	Exploration
	Almond	Oil & Condensate	Exploration
	Beech	Oil	Exploration
	Pecan	Oil	Exploration
	PN-1	Oil	Exploration
	Cob	Oil	Exploration
LUKOIL	Dzata-1	Oil & Gas	Appraisal



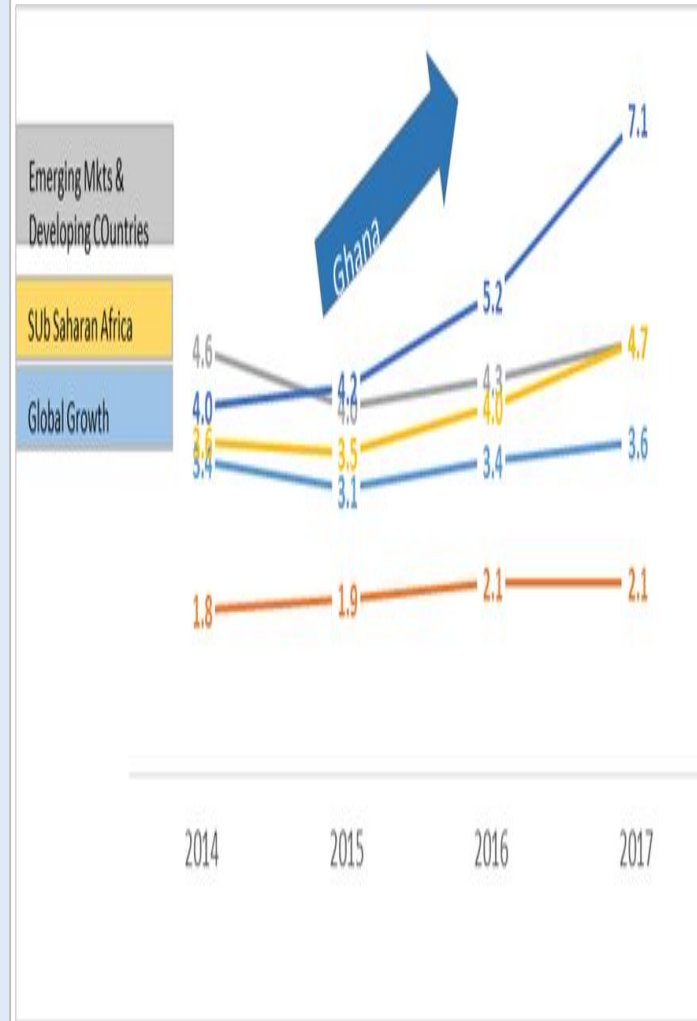
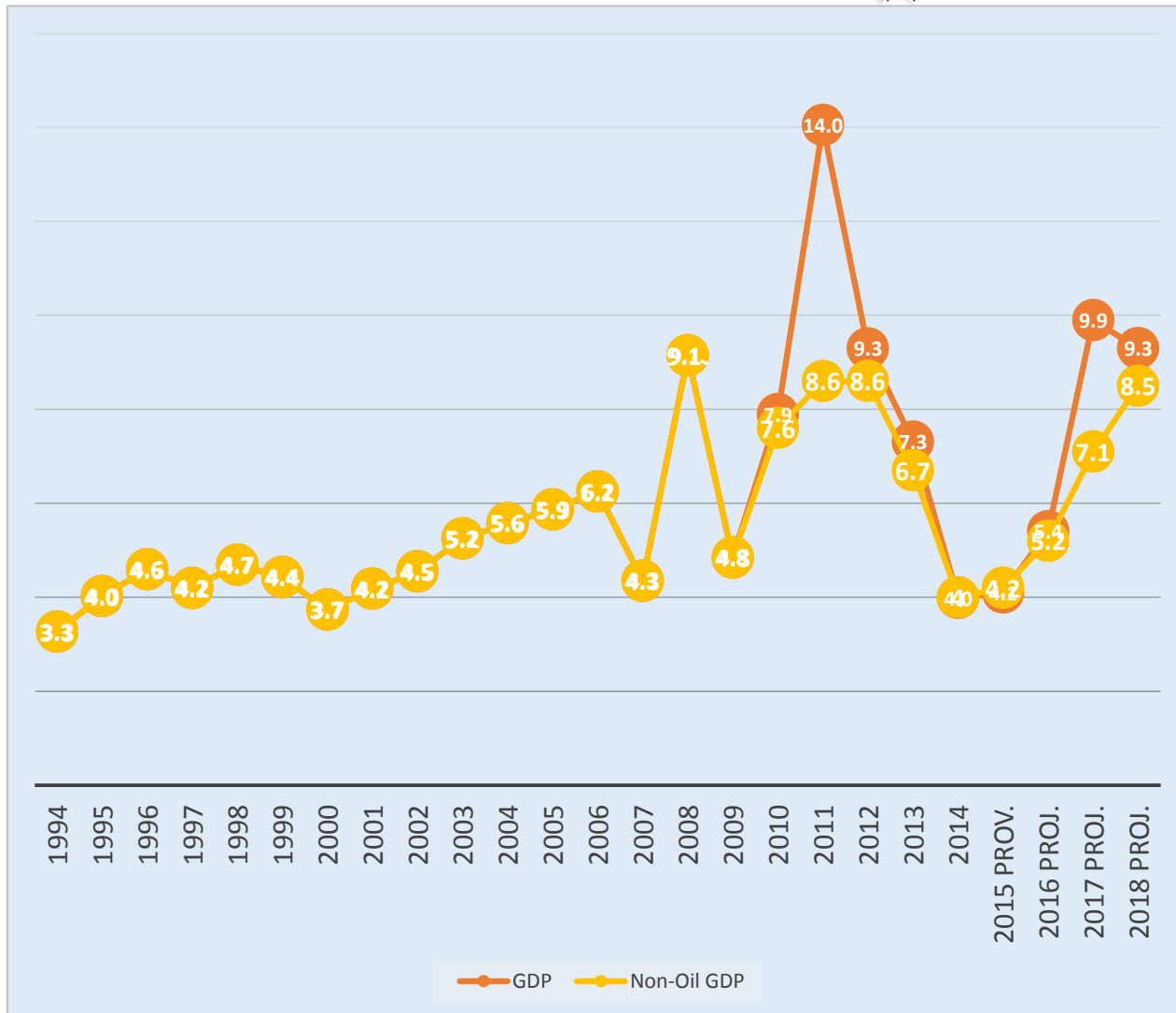
The Growth Trajectory



► The economic backdrop for 2015 remains challenging, making Ghana's growth successes even more remarkable

- Ghana's growth expected to improve significantly in the medium term as the country remains on track to double its hydrocarbons production in the next two years.
- The TEN and Sankofa-Gye Nyame Fields will begin commercial production of oil and gas in the next two years.
- With the relative stability in power supply, we expect a gradual pick-up in manufacturing and other economic activities in 2016

The Growth Trajectory





THANK YOU!