Editorial

2012 BUDGET

The formal presentation of a nation's budget for approval by the Executive to the Legislature of any national government is an annual legal obligation in the governance of any sovereign state, Ghana not being an exception. It is a cardinal factor in the democratic and good governance equation of every country.

Developed countries take budget debates seriously. Civil Society Organisations (CSOS) and legislature endeavour to provide or come out with constructive criticisms and alternative strategies to ensure sustainable growth and wealth creation in a country without necessarily taking an overtly partisan stand. Granted that these budgets are political statements of the ruling party, the overriding focus is on the needs of the nation. The concept is simply the country first, and for that matter, the interest of the citizenry should be catered for first before party aspirations.

Sadly, in our part of the world, our political party affiliations come first before the interest of our people. We therefore find that in debating national budgets, the political divide and inclinations become even stronger. As a result of these partisan inclinations, budget debates are devoid of intellectual discourse and objectivity. This is abundantly demonstrated in post-budget presentation comments made by our legislators or parliamentarians, whereby the budget is even "labeled" before it is read by the Minister of Finance on the floor of Parliament. This singular act by some parliamentarians robs the nation's interest in debating the budget for the benefit of the nation.

Depending on which side of the political divide people find themselves, the recent 2012 proposed Budget of Ghana has been variously labeled using such names as 'Budget for 2012 Vote', 'Recycled Budget', 'Bye bye Budget', to name but a few.

Serious minded citizens or politicians should put aside their individual political colour and join in the debate without fear or favour. We all need to bear in mind that mother Ghana should be the winner in every debate, decision, and action that we take in 2012.

The 2012 Budget, as presented by the Finance Minister, is on the theme: "Infrastructure Development for Accelerated Growth and Job Creation". It is focused on the key infrastructural projects to be implemented in 2012, consistent with the Ghana Shared Growth and Development Agenda. The budget principally touches on the following key areas: electricity, oil and gas, water and sanitation, railways, roads, ports and harbours, health, education, and agriculture.

The 2012 Budget is a loaded one. It projects an overall growth rate of more than 8% and sets strong macroeconomic targets as follows:

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

Monetary policy is programmed and geared at maintaining single digit inflation of 8.7% while the balance of payments is projected to remain in surplus, reflecting high commodity export prices, oil production and exports, and continuing portfolio capital inflows. It is expected that there would be a further build-up in Gross International Reserves to an average of US $7.5 billion (estimated around 4.5 months of import cover) over the medium term.

The above targets are laudable if the government can do well to achieve them since they set the stage for the overall growth and development of Ghana. In setting out to achieve the above targets, government has spelt out certain important measures in the budget, which deserve level-headed, non-partisan sober reflection by the nation.

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. This 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 include:

- Taxation of professionals and the informal sector so as to double the contribution to domestic revenue from these sectors.

- The VAT registration threshold to be raised from an annual turnover of GHc90, 000 to GHc120, 000. Businesses below the threshold shall pay a presumptive tax of 3 per cent of turnover in addition to the VAT Flat Rate of 3%.

- The government proposes to 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.

- Taxation of mining activities is proposed to 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:

	Income Band	Rate
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 percent of GDP. It is thus evident that the expenditure outweighs the revenue streams projected thereby 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 percent 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 percent of GDP. The net financing from foreign sources is estimated at GHS1, 572.3 million which is equivalent to 2.3 percent 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 government's 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 rate 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 sites 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. The Accra Plains Irrigation Project and an irrigation dam are scheduled to be commenced during the year. A Fisheries College will also be established at Anomabu, in collaboration with the University of Cape Coast. COCOBOD is scheduled to rehabilitate about 1,000 hectares of small-to-medium scale coffee farms. This is a good and laudable step by the government since it shows diversification as well as expansion of the earning capacity of cocoa, the existing primary foreign exchange earner of the nation.

ENERGY

The power generation capacity of the nation is programmed to be expanded by additions to the national grid as well as the completion of the Takoradi 3 Thermal Project. The government intends to extend electricity supply to most communities in the nation. Government also intends to 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 budgets to provide 4,000 new boreholes country-wide. The installation of the 60,000m3 sea water desalination plant at Teshie to improve water supply to the area will be undertaken in 2012. The government also plans to facilitate private sector companies to commence the construction and delivery of safe, decent and low income affordable housing units. This will help alleviate the acute 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 which is 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 road projects in the Western Region oil & gas enclave will commence in 2012: Agona-Nkwanta to Dixcove road, Busuta Junction to Busuta Road, Princess Junction to Princess Town road, Sankor Junction to Cape Three Points road, and Mpataba Junction to 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 intends to 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 that as many as possible of all children of school going age are in school. The infrastructural facilities and installation of 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 are budgeted to commence in 2012.

HEALTH

Government proposes to continue to focus on bridging equity gaps in health delivery; strengthening governance and improving the efficiency and effectiveness of the health system; improve access to maternal, neonatal, child, and adolescent health 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 the 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. These would remain mere projections, hopes, or promises unless the government comes out with some specific details of the approach to attaining the set objectives for scrutiny and appraisal. Seemingly, the 2012 Budget carries good news, but we know that, as a matter of fact, the only thing that is certain about budget estimates is that it will be 'wrong to certain extent'.

To what extent the 2012 Budget will fall below expectations is one of the key issues that confront us Ghanaians today as we debate to enlighten the citizenry. Even though our economy is said to be one of the fastest growing in the world today, our economists, analysts, civil society organisations, various other organizations, and the general public keep lamenting over the following concerns:

- The ever-enlarging public debt
- High unemployment rate
- Increasing public wage bill
- Continuous industrial actions (in areas that critically affect the nation as a whole!), and
- Infrastructure deficit

Again, there is the apprehension in certain quarters that the government is likely to misapply the oil resources in a highly charged electioneering period of 2012.

The serious concern involving the on-going 2012 Budget debate is how best the government can ansure that relevant economic policies would be developed to create more jobs for our youths. How we could diversify the economy to enable agriculture to provide the raw materials that would add value to our manufacturing enterprises is a pressing issue.

Indeed, economic indicators show that, Ghana's economy keeps growing but apparently the economy is experiencing a jobless growth. We therefore need innovative, productive ventures that make us depart from the type of economy that favours 'buying and selling' entrepreneurship. Truly, there is no strong signal or policy initiative or measure to re-orient our economy from one of dependency syndrome to genuine self-reliance that would only come if we empower productive ventures in this country. We are talking about value addition to our raw materials.

It is our hope that true professionals would join this debate without fear, favour, emotions, as well as partisan tendencies. We should show the world that we are indeed mature, and that we understand the principles of democracy that we have been blessed with, especially during the last two decades.

We should bear in mind that democracy is not necessarily about which party is for the people and which one is against the people - the right or wrong political syndrome. Instead, it is about exhibiting co-governance initiative for the betterment of our country.

Let us proceed now as responsible politicians, citizens, professionals, opinion leaders, and CSOS to join the 2012 Budget discussion or debate and come out with solutions that validly support the 'Better Ghana' agenda. A truly "Better Ghana" is in the best interest of and inures to the ultimate benefit of everybody, regardless of parochial political, ethnic, religious, and regional affiliations.

The present budget of Ghana must be construed and debated within the context of the world-wide upheavals and serious austerity measures. Some of these are in nations who are our natural allies or partners in economic development. One would have expected a much more biting austerity measures of our own than is projected in the budget proposal.