

PRESS STATEMENT

AGI WELCOMES GOVERNMENT'S BOLD INITIATIVES IN 2017 BUDGET

The Association of Ghana Industries (AGI) lauds Government's bold initiatives in the 2017 Budget Statement and Economic Policy that seek to support industrial development generally and the manufacturing sector in particular. This will help create the needed employment in the country. This year's Budget is a remarkable departure from previous ones which focused on generating additional tax revenue. This Budget places emphasis on developing the more production sectors (Industry and Agriculture) of the economy which have experienced consistent decline in their contribution to GDP in the last five years. The potential impact of these sectors and their prospects for job creation cannot be overemphasized. Agriculture is known to be a critical starting point in the value chain that feeds Agro-Industry.

Whilst AGI commends Government on the bold initiatives it has outlined in the Budget Statement, the Association would like Government to give maximum attention to the following;

1. Flagship Industrial Development Initiatives

- **Stimulus Package**

Government's intention to establish the stimulus package to resuscitate and support industry to create the needed jobs is commendable. AGI urges government to put in place measures to carefully design and implement the package in order to achieve the desired results. In this regard AGI is ready to support government in the design and implementation of the package in order to avoid waste.

- **One District One Factory**

The Association of Ghana Industries urges government to announce as quickly as possible the modalities which would drive the agenda for the one district one factory policy. The AGI continues to receive expression of interest from both members and non-members in investing in this programme and therefore eager to see a smooth take-off.

We advise that the modalities should include special tax incentives to encourage rural industrial development. Such tax incentives could include exemption from corporate tax, use of piece rate to spur production, and others.

- **Industrial Development Fund**

Government's plan to establish an Industrial Development Fund (IDF) comes as a welcome initiative to AGI, especially where AGI has been advocating for a fund that gives medium to long-term facility for business financing. AGI has been working with the previous government on setting up an industrial bank, and will welcome the opportunity to partner the current government in developing the AGI Industrial Development Fund as a full fledge bank.

2. Taxes

- AGI commends Government for the steps taken to abolish and reduce some taxes which will bring some relief to businesses. This in itself will stimulate business growth.
- Government's plan to initiate steps to remove import duties on raw materials and machinery for production within the context of the ECOWAS Common External Tariff (CET) protocol is laudable. To this end AGI will collaborate with the Ministry of Trade & Industry to provide the necessary input and criteria for determination of what constitutes raw material in order to prevent abuse of this tax incentive.
- Government's idea towards the review of all tax exemptions, particularly the import duty exemptions in order to save the Economy huge revenue losses is in the right direction.
- Under-invoicing for certain imports constitutes a major source of revenue leakage and has had serious negative consequences on Industries. The mechanism to check this practice is necessary.

In order to salvage this, we strongly recommend the introduction of minimum declared values for most imports in order to reduce ambiguity and discretion in dutiable values.

- AGI appreciates Government effort to block the revenue leakages at the ports by introducing reviews in the implementation of exemptions on clearing goods at the ports. We however wish to advise that for industrial machinery and raw materials that are zero rated, industries should not be required to make upfront payment before applying for refund later. Such a measure will increase cost of production, and with our history of delayed refunds, this will only add to the cost of doing business. We therefore urge Government to review this aspect of the exemption implementation process. AGI is available to discuss with Government, the best approach to implement this smoothly.
- Government's intention to implement the Excise Tax Stamp Act, 2013 (Act 870) is well noted by the AGI. It is however important for Government to consult Industry players in the beverage sector before it proceeds with the implementation of the Act which has been fraught with technical challenges in the past.

3. Energy

- AGI acknowledges the current installed generation capacity of 4,132MW as at end of 2016. What is however, of major concern to Industry is the current cost of electricity which is reducing the competitiveness of most businesses. Government must review power generation contracts with the view to reducing electricity tariffs to bring Ghana's electricity tariff to competitive levels within the sub-region.
- AGI also proposes that the least expensive power generation sources be dedicated to strategic Industries which have linkages throughout the economy, and the aluminium value chain.

4. Construction

- We commend Government's proposal to develop a local content policy in addition to its efforts to revamp railway development, which is expected to improve both human and raw material mobility to the respective factories that are far away from source of raw materials for industrial growth.
- Government must expedite action for the passage of the bill that will enable the establishment of the proposed **Construction Industry Development Authority (CIDA)**. This will mark the beginning of dealing holistically with the regulation, growth and development of the construction sector in Ghana.
- In the interim, we expect to see the following:
 - ongoing projects started by the previous administration to continue;
 - prompt payment for existing contracts and interest payment on all delayed payments to contractors to guarantee their sustenance;
 - the need to legislate payment of interest on all delayed payments and a law to ensure that all projects commence on the basis of fund availability.

Signed: James Asare-Adjei
AGI President

For and on behalf of Association of Ghana Industries

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