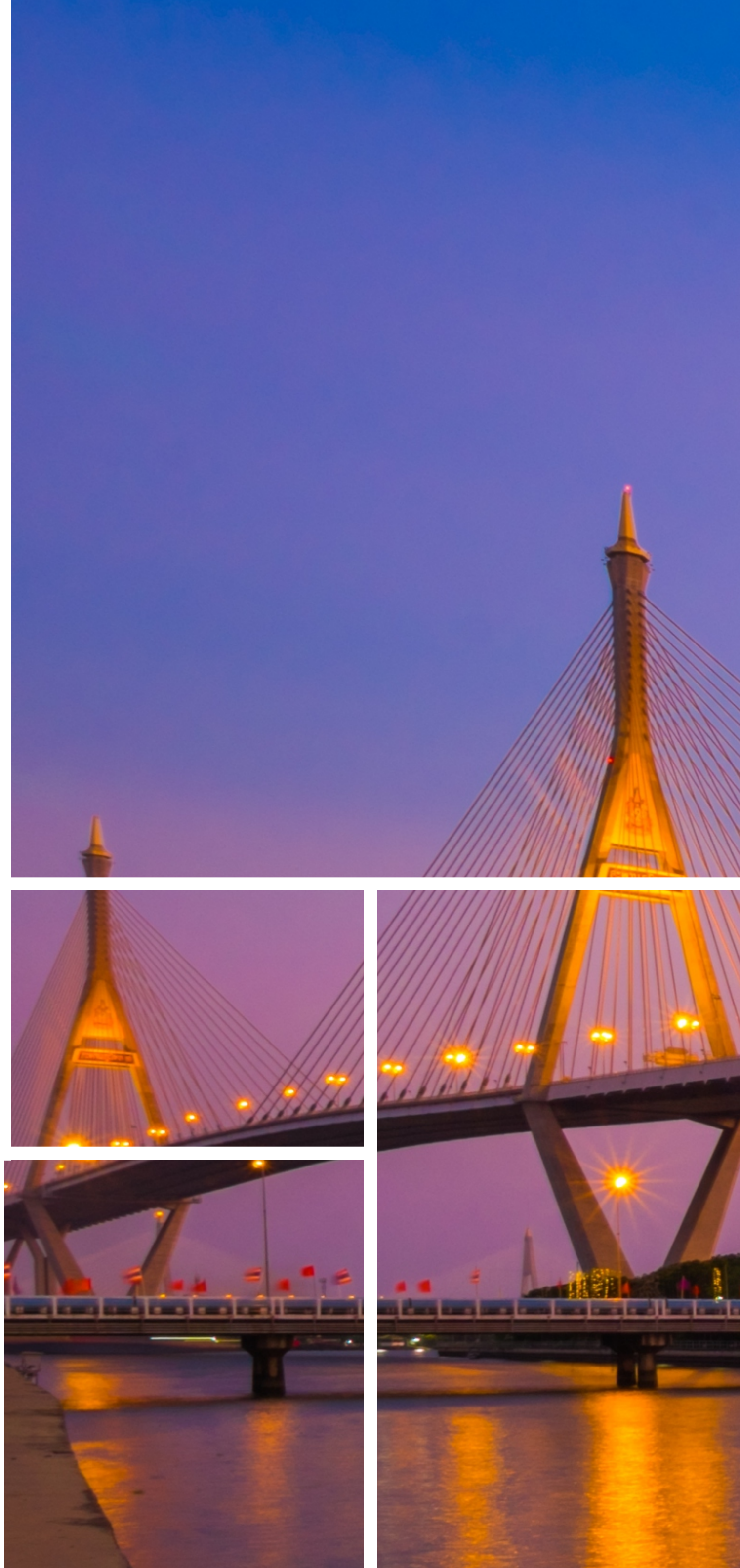
2020 Budget Highlights

Consolidating the Gains for Growth, Jobs and Prosperity for All

November 2019



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Commentary

Budget 2020: Driving Growth and Fiscal Sustainability Towards Shared Prosperity

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The Finance Minister, Ken Ofori-Atta, presented the 2020 Budget Statement on 13 November 2019 with the theme “Consolidating the Gains for Growth, Jobs and Prosperity for All”. The Budget is anchored in the President's Ghana Beyond Aid vision and the Coordinated Programme of Economic and Social Development Policies (2017-2024). It is also consistent with the United Nations Sustainable Development Goals (Agenda 2030) and the African Union Agenda 2063.

The medium-term direction of the Budget focuses on the following eight strategic pillars:
(1) Domestic Revenue Mobilisation, (2) Business Regulatory Reforms, (3) Intensified Drive for Foreign Direct Investment, (4) Digitisation,
(5) Accelerated Infrastructure Development,
(6) International Financial Services Centre,
(7) Enhanced Financial Support to Local Enterprises, and (8) Science and Technology.
All these are geared towards consolidating the macroeconomic stability and fiscal performance gains achieved within the last three years, and to drive the economic transformation forward. It is noteworthy that while this Budget is the first since Ghana exited the four-year International Monetary Fund (IMF) programme, it is also the first election year Budget to be prepared within a strict fiscal regulatory framework that imposes a numerical limit on fiscal deficit. The recently passed Fiscal Responsibility Act, 2018 (Act 982) places a 5% cap on fiscal deficit in any given year. We are therefore confident that the government will adhere to this cap and other fiscal policy frameworks such as the Public Financial Management Act, 2016 (Act 921), Public Financial Management Regulation, 2019 (L.I. 2378) and the Fiscal Responsibility Advisory Council. We are hopeful that Ghana will overcome the perennial challenge of the political business cycle which tends to derail the drive towards fiscal consolidation, lead to the accumulation of a costly debt burden and threaten macroeconomic stability.

Unlike the three previous years when growth was driven by rising output in the extractive sector, particularly in the oil and gas subsector, the budgeted growth for 2020 is expected to come from extensive investment into construction and the development of the manufacturing sector.
We welcome the focus on public investment in infrastructure such as roads and hospitals, which will ensure healthy, sustainable and broad-based economic growth. This is because the declining public investments over the last few years (with capital expenditure declining from 5.4% of GDP in 2014 to 1.6% of GDP in 2018) have negative implications for growth, job creation and public service delivery. Therefore, rebalancing expenditures during fiscal consolidation in favour of public investment such as roads, rail and energy should improve public service delivery and create a competitive business environment for the private sector development. While recognising the need to ramp-up investments in infrastructure, we believe that improving value for money and efficiency in public investment must enhance the economic returns to capital spending, especially within the narrow fiscal envelope that is available.

The realisation of next year's growth forecast depends on an improved credit environment that enables long-term affordable access to credit by the private sector. The recent clean-up in the financial services sector has led to a decline in credit to the private sector and as such we welcome Government's initiative on “Changing the Environment for Private Sector Credit Delivery”, which seeks to improve the credit ecosystem for Small and Medium Enterprises (SMEs). This initiative includes the establishment of an Enterprise Credit Scheme (ECS), promotion of micro businesses and household lending and the support for a long-term institutional investors scheme.

Other notable measures that can help broaden access to cheaper long-term financing and enhance Ghana's quest to become a financial hub in Africa include the setting up of the National Development Bank (NDB), the Ghana Fixed Income Market (GFIM) and the guidelines for the Global Market Repurchase Agreements (GMRA). We commend government for these initiatives and urge that global best practices will guide the setting up of the NDB and its operations so that it will be truly independent with a strong corporate governance framework. Ghana's prevailing interest rates remain high with a widening gap between inflation and the monetary policy rate, as well as the former and the average lending rate. The wide gap means that these rates are not sufficiently responsive to changes in the rate of inflation, so that the fall in inflation is not driving down interest rates as much as we would expect.

The Ministry of Finance and the Bank of Ghana should work with the universal banks to close this gap to allow interest rates to fall in tandem with the declining inflation and the relative stability in the exchange rate. This will not only improve access to credit, but also reduce the high government borrowing costs.

One of the main areas of focus of this Budget is to ensure fiscal discipline and prudence in the run-up to the 2020 general elections in order not to erode the gains chalked so far. After successfully cutting the fiscal deficit from 7.3% of GDP in 2016 to 3.9% in 2018, it is projected to end the years 2019 and 2020 at 4.5% and 4.7% respectively. Although these projections are higher than anticipated, they remain within the limit imposed by the Fiscal Responsibility Act. The Minister of Finance attributes the emerging strain on the fiscal balance to a number of issues such as lower than expected revenues (a shortfall of about 16% against targets at half year), frontloading of spending on government flagship programmes and offloading of bonds held by non-residents as a result of emerging security challenges from the Sahel region. In addition, longstanding losses in the energy sector (the legacy debt and debt being incurred from the take-or-pay arrangements with some independent power producers) have spilled over to the Budget and, together with the cost of the financial sector cleanup, have contributed to the rise of public debt, currently standing above 60% of GDP. While several tax policy and institutional measures are expected to be pursued in 2020 to drive efficiency and tax base broadening to enhance domestic revenue mobilisation, we believe that more specific and aggressive tax policy measures are required to attain the GH¢67 billion total revenue projection for 2020. This represents 23% increase than the outturn in 2019. To ensure the achievement of the fiscal balance target it is imperative that expenditure growth does not outpace revenue growth particularly as politically related pressures are expected in the run-up to the 2020 General Elections.

There is a growing concern about the mounting debt stock despite Government's debt management measures that have slowed the pace of debt growth in recent times. Not only has the debt stock risen, but both external and domestic borrowing costs have rapidly increased, taking about a quarter of total expenditure and about 45% of tax revenue. It must be mentioned that the recent banking sector cleanup also added about GH¢13 billion to the debt stock, moving it from 57.4% of GDP to 60.5% of GDP as at September 2019. While the recent rebasing exercise led to a decline in the debt-to-GDP ratio, interest payment as a percentage of tax revenue, which demonstrates the country's repayment ability, remains unchanged. This suggests that any future debt management measures should focus on limits to the amounts borrowed, in addition to the conventional debt-to-GDP ratio. Further, strictly adhering to a medium-term debt strategy and an annual domestic and external borrowing plan, as well as, improving treasury management and forecast will be needed to curb any frontloaded and unplanned debt rise. Future borrowing should also be driven by viable projects that can pay for themselves.

A key risk to debt and fiscal sustainability is the exchange rate volatility. Given that the external debt component of the public debt is increasing, any rapid depreciation of the currency will not only raise the interest service cost, but also trigger currency sell-off by the non-resident domestic bond holders. A steep increase in the exchange rate will also result in considerable currency outflows to service external debt, which will result in a weakening of our local currency as Government will need to purchase foreign currency on a large scale to repay significant US dollar debt obligations. This could result in a further accumulation of new debt as the Budget deficit widens.

Overall, we commend Government for presenting a promising Budget for 2020 that seeks to consolidate the macroeconomic gains of the last few years. We believe that its successful execution depends critically on Government's further efforts at enhancing domestic revenue mobilisation, for which more specific and targeted initiatives are required, combined with a credible and enduring political commitment to fiscal discipline. Timely and the full implementation of the programmes outlined in the Budget and the reform agenda will also be important. We look forward to 2020 being a year in which the growth and shared prosperity that we all seek as Ghanaians is reflected in our day to day lives. We also look forward to working with Government and all other stakeholders to achieve this ultimate goal.

2020 BUDGET AT A GLANCE

Economic Performance (Economy)

GLOBAL ECONOMIC GROWTH

3.6% 2018

3.0% 2019

Slowdown in 2019

Gold

$1,390 per ounce

Prices forecast to reach $1,390 per ounce in 2019, up by 9.5% from $1,269 in 2018

Crude oil

$60 per barrel

Prices forecast to reach $60 per barrel in 2019, a drop of 12% from $68 in 2018

Cocoa

$2,312 per tonne

Prices forecast to reach $2,312 per tonne in 2019, up by 0.81% from $2,294 in 2018

Mixed trend in key commodity prices: Gold and cocoa prices up; crude oil prices down

Private sector

12.6%

Growth in private sector credit moderated from 17.24% in September 2018 to 12.62% in September 2019.

Headline inflation

7.6%

Headline inflation has dropped from 9.8% in September 2018 to 7.6% in September 2019 mainly driven by non-food inflation and rebasing of inflation basket.

Local currency

11.3%

The local currency has depreciated by 11.3% against the USD between September 2018 and September 2019, which is higher than the depreciation of 8.7% recorded over same period 12 months earlier.

Budget deficit

4.5%

Budget deficit at 4.5% of nominal GDP as at September 2019. This is more than the programmed budget of 4.1% but within the statutory threshold of 5%.

Public debt

60.55% of GDP

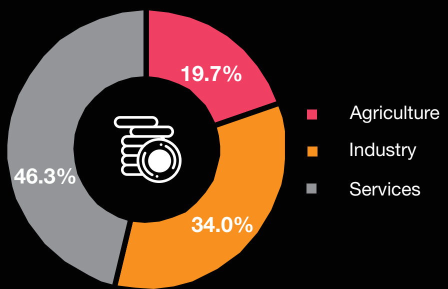
Real public debt (incl. bailout) represented 60.55% of GDP as at September 2019 and reflects 20.51% debt accumulation relative to 2018.

Real GDP growth

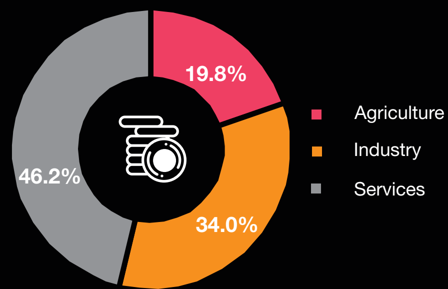
6.2%

Real GDP growth at 6.2% as at mid-year 2019, which is higher than the 5.4% growth achieved over same period in 2018.

Contribution to GDP- 2018



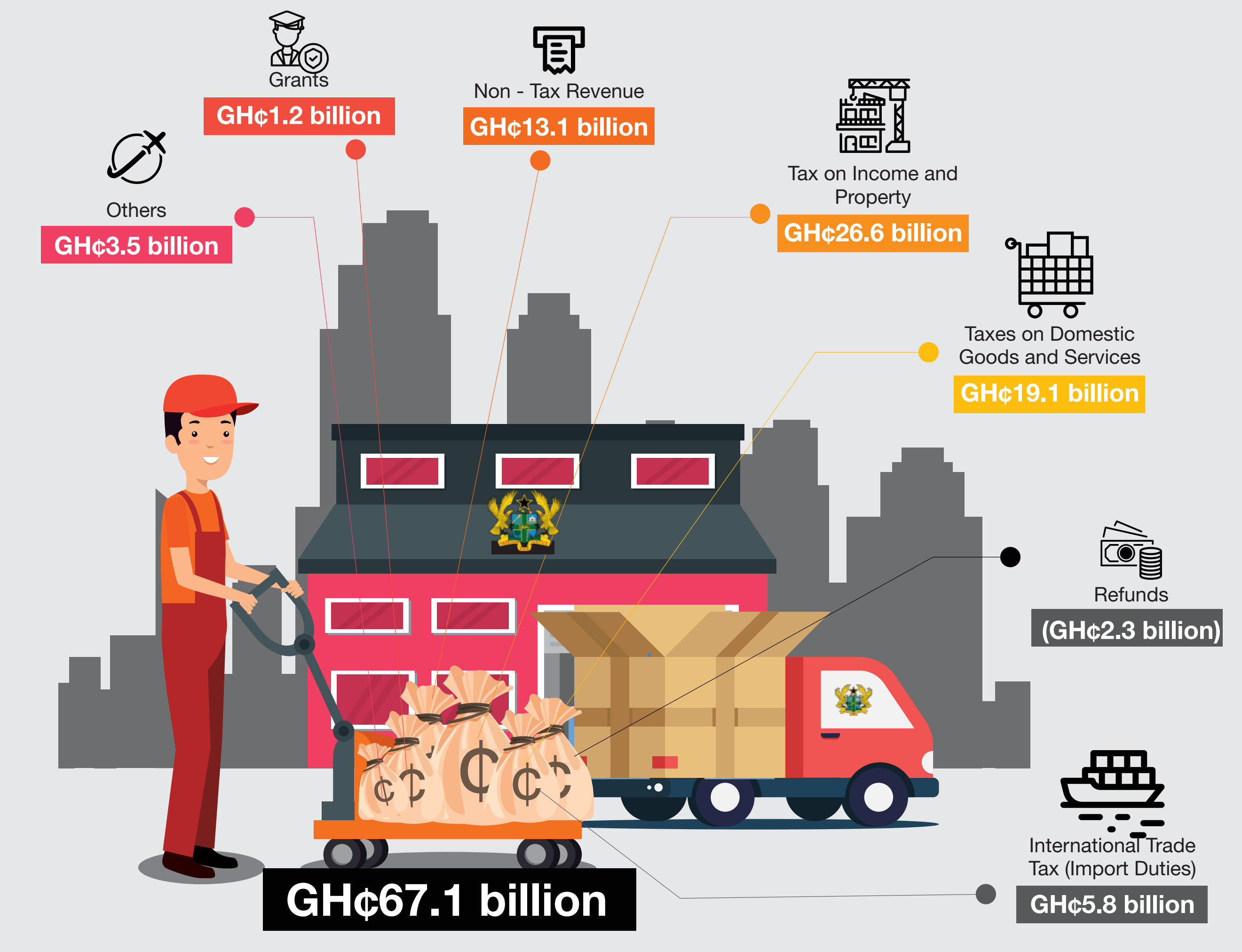
Contribution to GDP- 2019 (Projected outturn)



Sectoral distribution of real GDP indicates that the structure of Ghana's economy has not changed and is projected to remain same by end of 2019.

2020 BUDGET AT A GLANCE

Where is the money coming from?



Taxation

Direct tax

- Renewal and extension of National Fiscal Stabilisation Levy for five years.
- Increase in the tax-free threshold to align with the new national daily minimum wage.
- Upward adjustment in personal reliefs.
- Review of current tax laws and incorporation of BEPS action point on Mandatory Disclosure Rules in legislation.

Indirect tax

- Renewal and extension of Special Import Levy for five years.
- Abolishing the application of VAT on management fees of Private Equity, Venture Capital and Mutual Funds.
- Review and strengthening of current legislation and regulatory framework for taxation of e-services and the digital economy.

General Administrative Measures – How are we going to raise this revenue?

- Restructuring the tax system and developing a comprehensive revenue policy and strategy.
- Reforming the Ghana Revenue Authority for efficiency and productivity.
- Passing the Revenue Administration Regulations and Transfer Pricing Regulations.

2020 BUDGET AT A GLANCE

Where is the money going to?

Key expenditure areas

Total expenditure

(excluding arrears and amortisation)

GH¢84.5 billion

Total estimated expenditure which represents 20.4% above the projected outturn for 2019.

2020

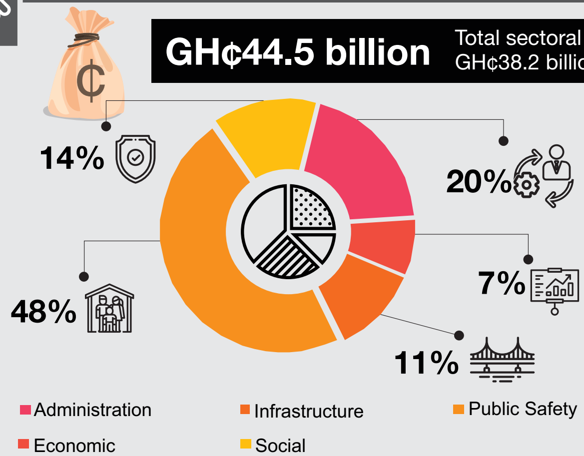
GH¢26.5bn	Compensation to employees
GH¢21.7bn	Interest payment
GH¢15.6bn	Grants to other Gov't units
GH¢9.3bn	Capital expenditure
GH¢8.3bn	Goods & Services
GH¢3.1bn	Others

2019

GH¢22.5bn	Compensation to employees
GH¢19.6bn	Interest payment
GH¢13.1bn	Grants to other Gov't units
Ghc6bn	Capital expenditure
GH¢6.9bn	Goods & Services
GH¢2.1bn	Others

Sectoral Allocations

GH¢44.5 billion Total sectoral budget increased by 17% from GH¢38.2 billion in 2019



- The key drivers of the Administrative expenditure allocation are; Free Senior High School Program, Electoral Commission and Ministry of Local Government which account for 27%, 12% and 13% respectively.
- Ministries of Education (63%) and Health (32%) account for approx. 95% of the sector budget for Social.
- Ministries of Interior and Defence account for 78% of the Public Safety budget allocation whilst Office of Special Prosecutor accounts for 3% of the Public Safety budget allocation.
- Ministry of Roads and Highways account for 44% of the budget allocation for Infrastructure Sector.

Economy

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Overview

The Budget Statement and Economic Policy of the Government of Ghana for the 2020 Financial Year ("the 2020 Budget Statement" or "the Budget") themed, "Consolidating the gains for growth, jobs and prosperity for all" continues to rely on the social interventions, policies and initiatives stated in the budget statements for the years 2017 through to 2019. The Budget mentions the following key areas of focus for the Government:

Broadening domestic revenue mobilisation – rather than imposing new taxes on the Ghanaian populace and businesses, the focus going forward will be to make domestic revenue mobilisation more efficient with the implementation of fundamental policies and institutional reforms that will lead to a growth in the tax-to-GDP ratio (from the current 13% to 20%) over the medium term.

Implementing business regulatory reforms – aimed at empowering local businesses and fast-tracking the country's ambition of being the Gateway to Business in the West African region.

Intensifying the drive for Foreign Direct Investments ("FDIs") – linked to the agenda of implementing business regulatory reforms to hasten the transformation agenda is the drive of Government to intensify FDIs.

Enhancing financial support to local enterprises – the Government aims to deploy in early 2020, a number of initiatives including, but not limited to, the establishment of a new National Development Bank, the Ghana Incentives-based Risk-Sharing System for Agricultural Lending ("GIRSAL"), the Ghana Commodity Exchange, a strengthened Venture Capital Trust Fund that will enhance access of Ghanaian businesses (irrespective of the stage in the business cycle) to finance, including medium and long-term capital.

Advancing plans to establish Ghana as an International Financial Services Centre – following the recent financial services sector clean-up, a Concept Note has been approved by Government and plans are advancing steadily to realise the Government's vision of establishing Ghana as a regional financial services centre in West Africa.

Digitisation of the Economy – aimed at formalising the Ghanaian economy by leveraging technology to improve administrative systems and increase transparency of operations in the country.

Accelerating Infrastructure Development – the aim is to strengthen the capacity of the Ghana Infrastructure Investment Fund ("GIIF") and other infrastructure-focused savings funds like the Ghana Petroleum Funds ("GPFs") to leverage the global financial markets.

Science and Technology Development – to support the industrialsation agenda over the medium to long-term. A conscious effort according to Government will be made to complement advances in human capital in the education sector with a push to develop the national technological capability.

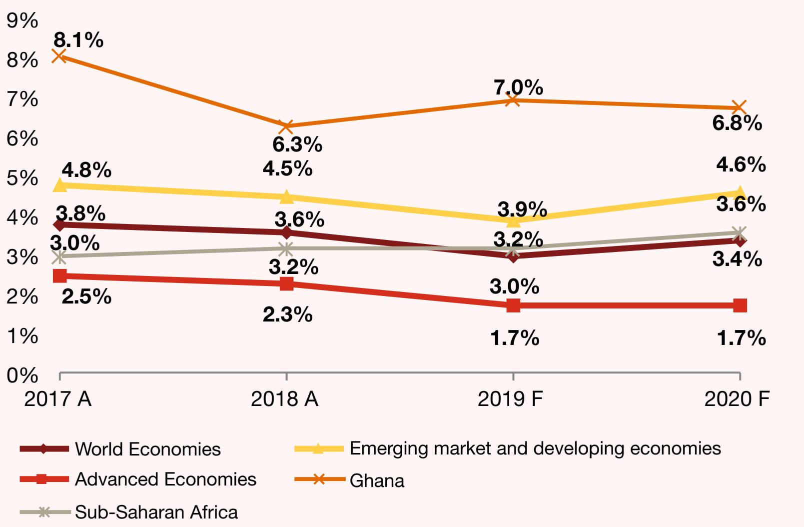
Source: 2020 Budget Statement

The World Economy

Global GDP

The Ghanaian economy, has since 2017 outperformed the global economy and this is expected to continue in 2019 with a provisional GDP growth of 6.98% from 6.26% in 2018.

Global GDP Growth (2017 A - 2020 F)



Source: World Economic Outlook October 2019 & 2020 Budget Statement

Budget and PwC Commentary

The World Economic Outlook ("WEO") October 2019 indicates that global economic growth remains weakened at 3.0% in 2019 after declining sharply in the last three quarters of 2018. This growth is the lowest on record since 2008–09 and is lower than the 3.60% growth recorded in 2018. Growth in Advanced Economies is projected to slow down to 1.70% in 2019 and 2020, compared to the 2.50% and 2.30% recorded in 2017 and 2018, respectively. This subdued growth is a consequence of rising trade barriers; elevated uncertainty surrounding trade and geopolitics; idiosyncratic factors causing macroeconomic strain in several emerging market economies; and structural factors, such as low productivity growth and aging demographics in advanced economies.

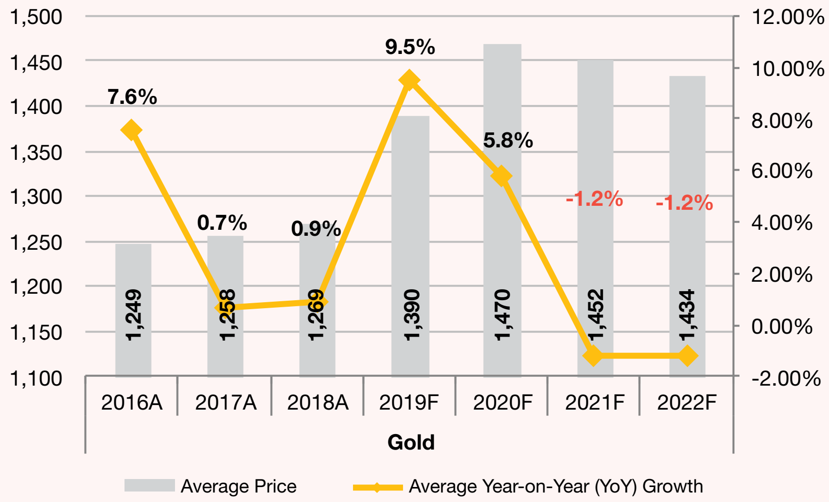
The Ghanaian economy continues to perform better than the global economy and this is projected to continue in the medium term. Though ambitious, the projected GDP growth rate of 6.79% for 2020, is expected to be driven mainly by the non-oil sector. The economy is also expected to benefit from the African Continental Free Trade Agreement ("AfCFTA") and Foreign Direct Investments which are expected to double over the next ten years.

Global Commodity Prices

Gold

Strong physical demand for gold in major economies, interest rate cuts by the US Federal Reserve and increased global policy uncertainty have led to an increase in gold prices.

Gold prices (in US$/toz)



Source: World Bank Commodity Markets Outlook October 2019 & 2020 Budget Statement

Budget and PwC Commentary

Gold prices in 2019 are projected to improve to US$1,390 per fine ounce, 9.50% increase over US$1,269 for 2018. A further 5.80% improvement in gold prices to US$1,470 per fine ounce is projected for 2020. Gold prices are, however, forecasted to decline by an average of 1.2% over the medium-term from 2021 to 2024.

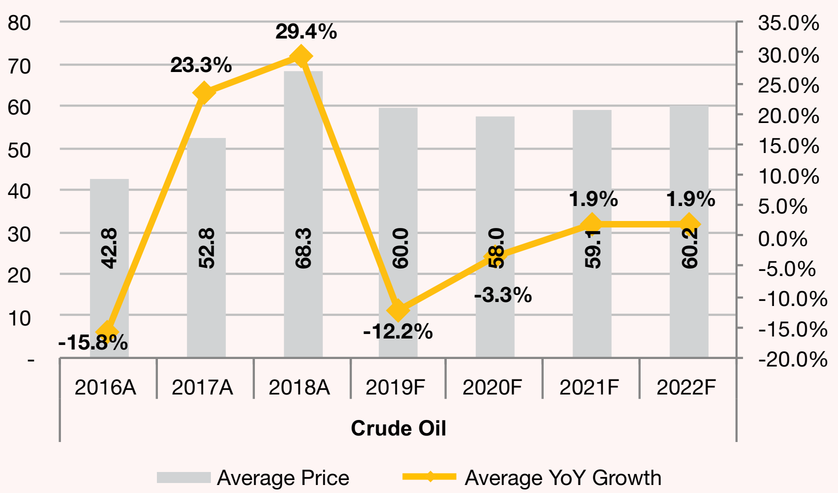
Gold prices rose 12.60% in 2019Q3, following three consecutive quarterly gains. Prices have been supported by strong physical demand, interest rate cuts by the US Federal Reserve, and increased global policy uncertainty. Increased demand for gold has been led by central bank purchases, investor holdings in gold-backed exchange traded funds, and jewellery sales, especially in India.

Global Commodity Prices

Crude Oil

A further drop in the price per barrel of crude oil is expected in 2020 before a recovery in 2021 driven by a reduction in oil exports from Iran following US sanctions.

Crude oil prices (in US$/bbl)



Source: World Bank Commodity Markets Outlook October 2019 & 2020 Budget Statement

Budget and PwC Commentary

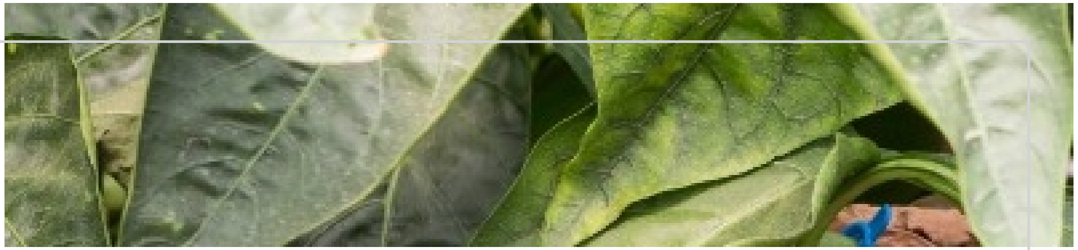
World market crude oil price averaged US$62 per barrel for the first three quarters of 2019, representing a decline of 10.10% from the US$70 per barrel for the corresponding period in 2018. For the full year, the World Bank has projected a 12.21% reduction in crude oil prices from an average of US$68 per barrel in 2018 to US$60 per barrel in 2019.

Crude oil production fell in the third quarter of 2019, as US output growth slowed, and Saudi Arabia suffered production disruptions. Output in Iran continues to decline, with oil exports falling close to zero as a result of US sanctions. Global tanker rates spiked after the US placed sanctions on several Chinese shipping companies for allegedly shipping Iranian oil. The US rig count continued to decline, and production growth slowed significantly. Better oil trade arrangements championed by the US will likely lead to an improved price of the commodity.

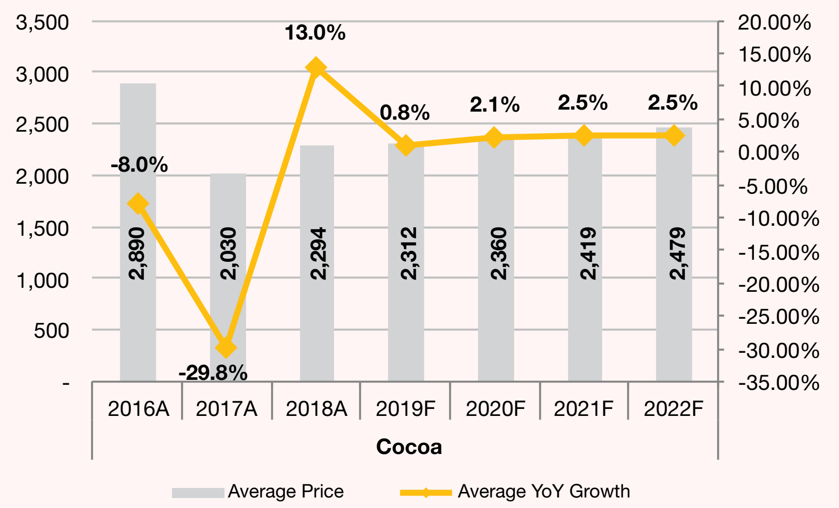
Global Commodity Prices

Cocoa

Cocoa prices have been stable, reflecting little change in global production and consumption over the past two seasons.



Cocoa prices (in US$/tonne)



Source: World Bank Commodity Markets Outlook October 2019 & 2020 Budget Statement

Budget and PwC Commentary

Statistics from the International Cocoa Organization (ICCO) indicate that world market cocoa price for the first 10 months of 2019 averaged US$2,312 per tonne, virtually unchanged from the US$2,313 per tonne for the corresponding period in 2018. The projection by the World Bank is for cocoa beans prices to average US$2,312 per tonne in 2019.

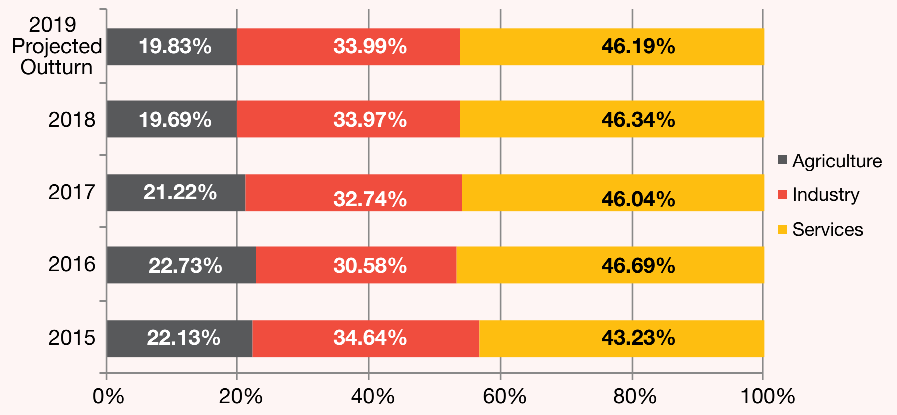
Cocoa prices, which declined 2.0% in the third quarter, have been relatively stable during the past 16 months as last year's large crop in Côte d'Ivoire was partly offset by a smaller crop in Ghana. The global crop is expected to grow by 2.0% this current season. Cocoa prices are projected to remain at current levels in 2019 and make a modest gain of 2.06% in 2020. However, favourable weather conditions in West Africa, particularly in Ghana and Cote d'Ivoire is expected to lead to an increase in production and a decline in the price of the commodity. The two countries account for two-third of global Cocoa production

Sectoral Analysis

Indications are that the structure of the economy remains largely unchanged as the Services sector continues to be the largest contributor to GDP.

The chart below depicts the sectoral contribution to GDP from 2015 to 2019.

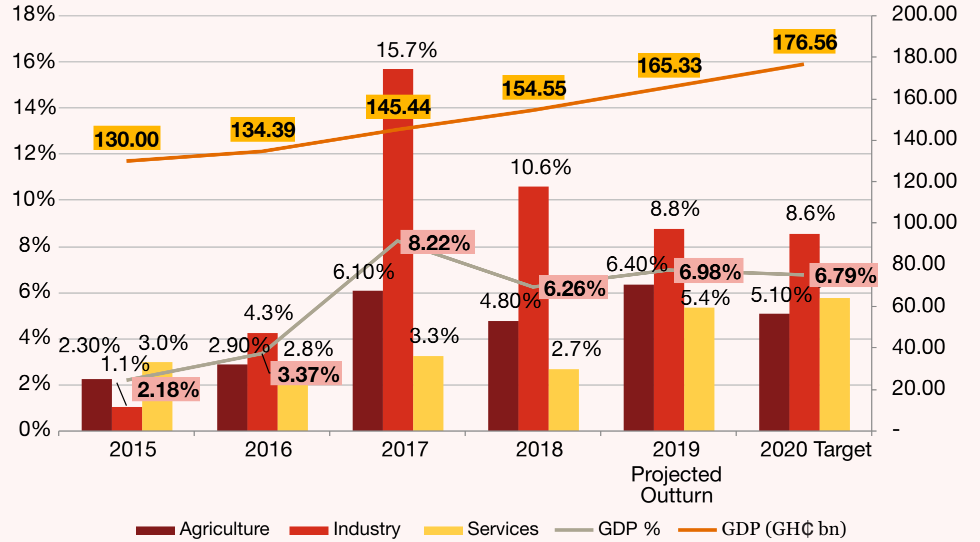
Sectoral Structure of the Economy



Source: 2020 Budget Statement

The 2020 Budget Statement estimates real GDP growth of 6.98% by the end of 2019, which compares lower to the target of 7.60% for the year. The Budget also projects a GDP growth rate of 6.79% in 2020. The projected GDP growth for 2020 is expected to be driven mainly by the non-oil sector.

Growth per sector: 2015 to 2020



Source: 2020 Budget Statement and Economic Policy of Government

With no new oil production expected to come on stream in 2020, the oil sector is expected to be relatively flat in terms of growth, with projected GDP growth expected to be driven by the non-oil sector. We expect the key drivers of growth in 2020 to include manufacturing (mainly through the completion of 181 factories under the “One District, One Factory (1D1F) programme) and construction (through the planned roads construction and completion of health and educational facilities). The Services sector is also expected to be a key contributor to the projected growth in 2020, mainly driven by the communication, education and health subsectors.

Agriculture Sector

The Agriculture sector is estimated to grow by 6.40% by the end of 2019, falling short of the targeted growth of 7.30%. Growth in the Agriculture sector has been projected to slow down to 5.10% in 2020 from the 7.30% targeted in 2019.

The lower-than-budgeted growth achieved in 2019 can be attributed to an underperformance of the Fisheries subsector which was projected to grow by 13.80% in 2019 but only grew by 3.30% due to the Infectious Spleen and Kidney Virus Disease (“ISKVD”) which affected fish production in the first quarter of 2019.

Key amongst the factors accounting for this conservative growth projection is the adverse impact of the outbreak of the ISKVD on the fisheries subsector in 2019, which constrained growth in the fisheries subsector to 3.30% in 2019 compared to a target of 13.80%. Going forward, Government's commitment to following through with its Planting for Export and Rural Development Programme will be key to achieving the projected growth in the crop subsector (5.40% in 2020) and by extension, the Agriculture sector. Private sector investments in cash crop production may benefit from this initiative as it is geared towards promoting the export of tree crops.

Services Sector

The growth in the Services sector is estimated at 5.40% by end of 2019, which is significantly lower than the target of 7.30%. The lower-than-budgeted growth was largely driven by poor performance of the Education and Financial and Insurance subsectors in 2019. Growth in the Services sector has been projected to slow down to 5.10% in 2020 from the 7.30% targeted in 2019.

The Education subsector, as at half-year 2019, had registered growth of 8.70% which is notably higher than the growth recorded for the subsector in 2018 (3.90%). Indications are that the mid-year growth has been driven mainly by Government's flagship programs in the education subsector (i.e. Free SHS and School Feeding Programmes). We expect growth in Education in 2020 to be driven mainly by Government's investments in the subsector.

Of all the subsectors, the financial intermediation subsector is expected to post the lowest growth in 2020 at 1.10%. This is not surprising as the “clean up” of the subsector embarked on by Bank of Ghana (BoG) has had a toll on the subsector's GDP and this is expected to continue in 2020. SEC, in the last quarter of 2019, has announced another clean up exercise in the fund management segment of the financial services industry.

Industry Sector

Growth in the Industry sector slowed down in 2019 and is expected to further slow down marginally in 2020.

In 2019, the industry sector was estimated to grow to 8.80% against the targeted growth of 9.70% driven mainly by the mining subsector. As explained earlier, growth in the oil sector is expected to stagnate as no new oil production is expected to commence in 2020. Overall growth in the industry sector is projected to slow down to 8.60% in 2020.

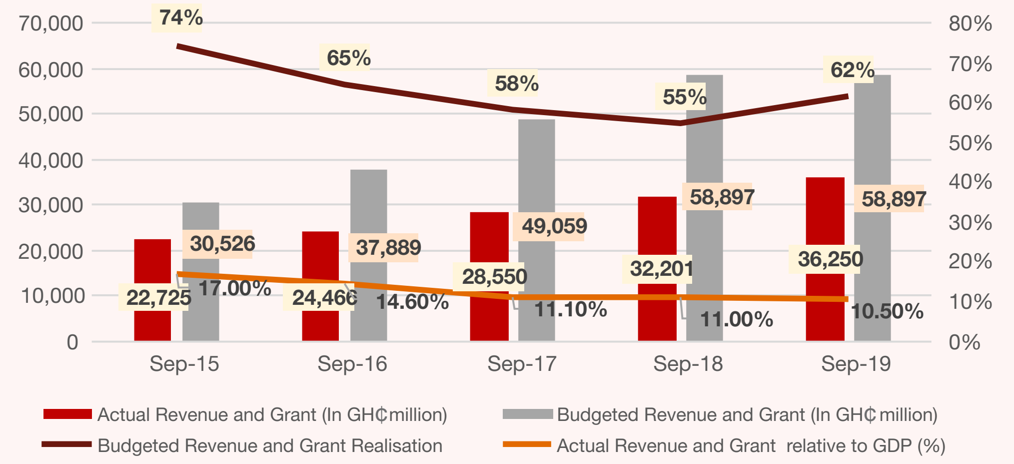
In contrast to the historical trend of industry growth, which had been driven mainly by the oil (i.e. petroleum) subsector, the projected growth for 2020 is expected to be driven mainly by the non-oil subsector as no new oil production is expected to come on stream in 2020. Instead, Government's resolve to invest in infrastructure (mainly roads and hospitals), to boost growth in manufacturing (181 1D1F factories), to lift the ban on small-scale mining and increase in power production are expected to be the key drivers of the projected growth rate of 8.60% in 2020. These initiatives can drive growth in the private sector and reinforce its position as the engine of economic growth and job creation in line with Government's belief.

Fiscal Developments

Total government revenue and grants increased by approximately 12.57% from GH¢32,201 million in 2018 to GH¢36,250 million (provisional) in 2019. This was mainly driven by fiscal measures including the upward adjustment of the Communications Service Tax (CST) from 6% to 9%, upward adjustment of the Energy Sector Levy (GHp20 per litre for petrol and GHp8 per kg for LPG) and 21% upward revision of the Road Fund and Price Stabilisation and Recovery Levies.

- Total revenue and grants for January to September 2019 amounted to GH¢36,250 million (provisional) and this was approximately 10.50 % of GDP compared to a revised target of approximately GH¢41,963 million (12.10 % of GDP) over the same period. The outturn represents a per annum growth of 9.20% in revenue, but this falls short of the revised revenue target by 13.90%.
- The shortfall in revenue performance was linked to the general under performance of non-oil tax revenue particularly, the negative impact of lower import volumes on import duty and levies, external VAT, Customs, National Health and GETFund levies. This was further compounded by the high admittance of imported goods into the zero-rated and/or tax-exempt import brackets as well as the lower tariff bands.

Trend of Revenue and Grants (Budgeted vs Actual) 2015-2019



Source: 2020 Budget Statement

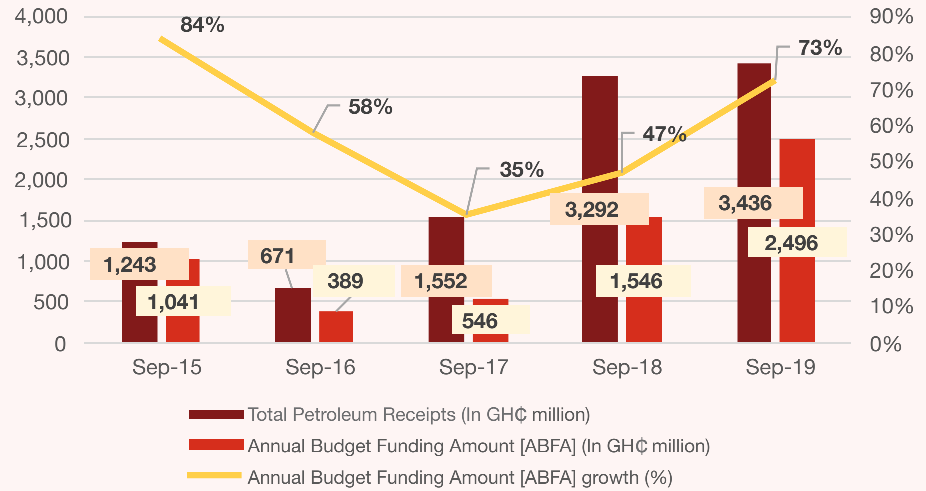
Difficulties in efficient and inclusive tax administration in Ghana remains a key challenge to increasing Ghana's non- oil tax revenues. In 2018, Ghana recorded a tax-to-GDP ratio of 12.90%, which is below the average of 18-20% of its middle-income country peers and is currently targeting a 20% tax-to-GDP ratio (through radical policy and institutional reforms). It has become critical for Government to intensify its effort to digitise (through identification and efficient tax collection systems) tax revenue collection and put in measures to widen the nation's tax net. This has become even more critical considering the potential loss of revenue from Government's drive to reduce imports and the reduction of import duties.

Petroleum Receipts

Total petroleum receipts (i.e. proceeds from liftings and other petroleum receipts) as at September 2019 amounted to US$668.41 million (GH¢3,436.30 million). An amount of GH¢2,496.43 million was allocated to the Annual Budget Funding Amount ("ABFA") in 2019 and the remainder allocated to the Ghana Petroleum Funds (GPFs).

Out of an amount of GH¢2,496.3 million (2018: GH¢1,546.38 million) allocated from the total petroleum receipts in 2019, a total of GH¢987.94 million (2018: GH¢610.18 million) representing 39.57% was utilised as at the end of September 2019.

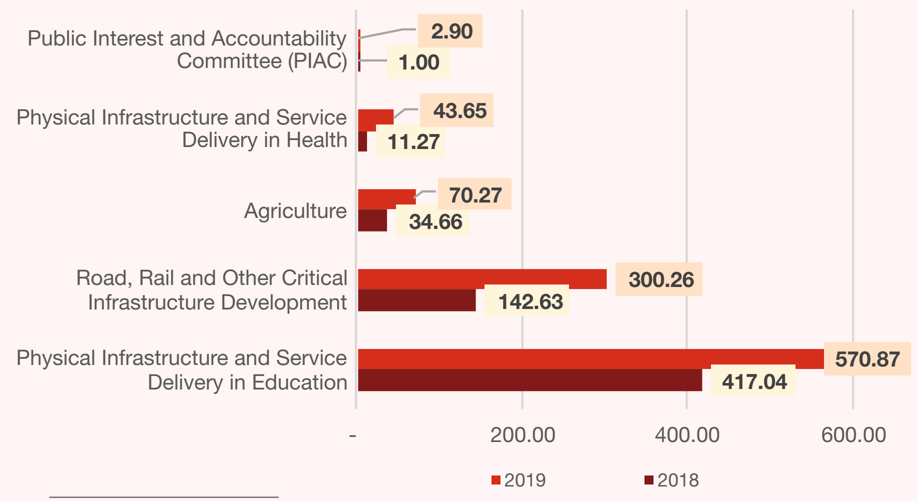
Total Petroleum Receipts vs Annual Budget Funding Amount (ABFA) allocation (in millions of GH¢)



Source: 2020 Budget Statement

The chart below depicts the key areas within which the ABFA was utilised (Q1-Q3 2018 vs. Q1-Q3 2019).

ABFA Utilisation (in GH¢million) by Priority Area (Jan - Sept 2019 vs Jan - Sept 2018)

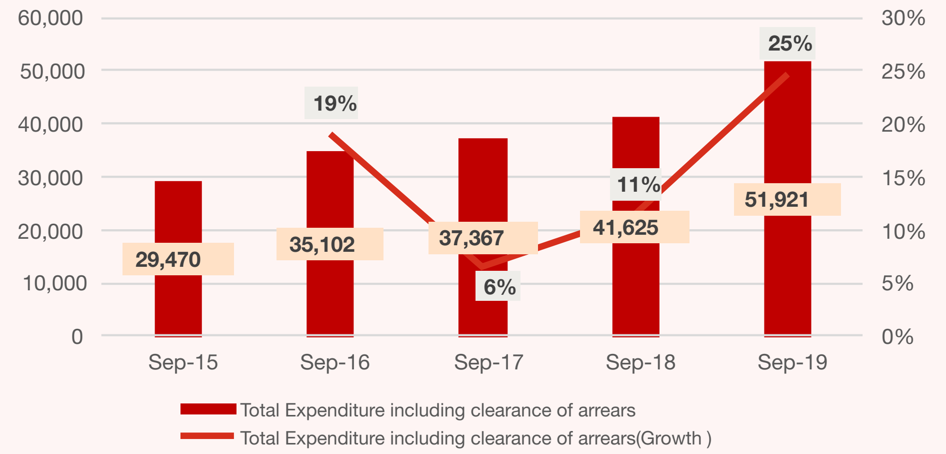


Source: 2020 Budget Statement

Global commodity prices have declined mainly as a result of trade barrier disputes and geopolitics. This has the potential to affect the estimated revenues targets set by Government if prices fall below the anticipated band. With Ghana being on both ends of the trade in crude oil, the Country needs to consider managing its risk and strategising adequately to protect its export of crude oil from the impact of sharply dropping crude prices.

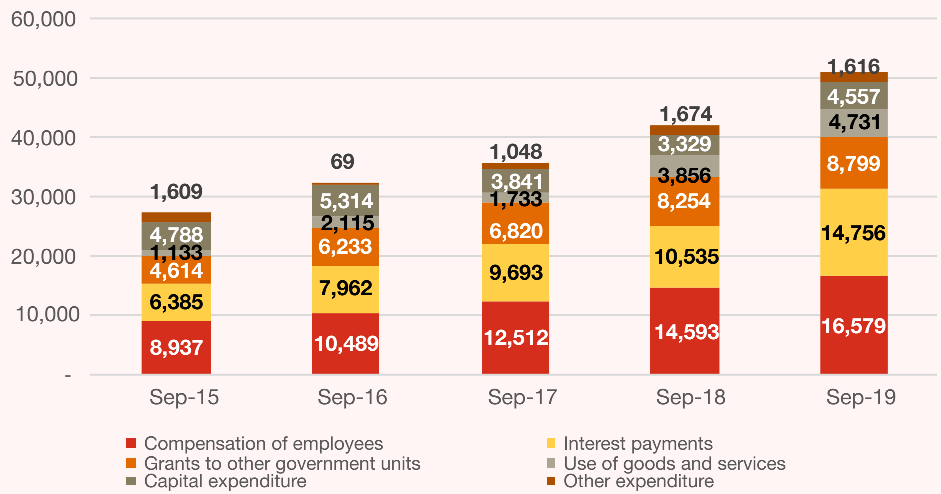
Expenditure

Total Expenditure (including clearance of arrears) September 2015 - September 2019



Source: 2020 Budget Statement

Trend of Key Expenditure Areas 2015- 2019 (In GH¢ million)



Source: 2020 Budget Statement

Total expenditure including clearance of arrears amounted to GH¢51,921 million (15.10% of GDP) which was 7.50% below target for the period (Target: GH¢56,126 million, 16.20% of GDP). 56.10% of the annual programmed arrears of GH¢730 million was cleared within the year and it is anticipated that the remainder of GH¢320.2 million will be cleared by the end of 2019.

Given the rigidities in government expenditures, especially as compensation of employees, interest payments and statutory transfers take approx. 80% of the total expenditure, thereby limiting any discretionary expenses, the intended increase in capital expenditure and Free SHS policy is likely to exert more pressure on the Government purse. This reemphasises the need for Government to be a little more aggressive with improving its revenue collection and efficiency efforts

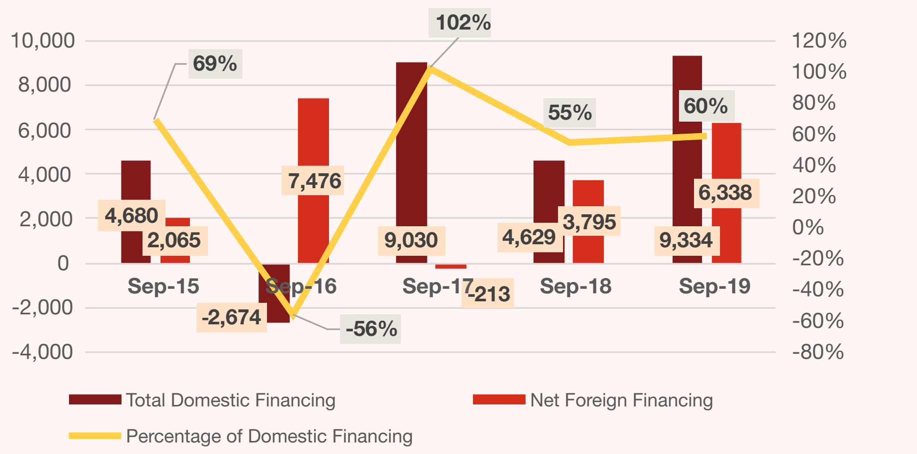
Deficit

The overall fiscal balance on cash basis resulted in a deficit of GH¢15,672 million (equivalent to 4.50% of GDP) against the programmed budget of GH¢14,163 million (4.10% of GDP) as at Sep 2019. The higher than programmed financing was mainly as a result of the frontloading of financing requirements to meet Government expenditures and other debt service obligations.

Public Debt

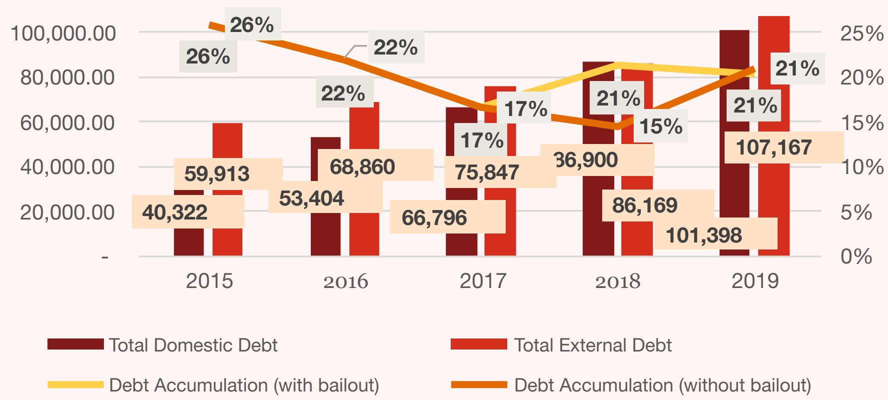
The nominal public debt including the financial sector bailout costs at the end of September 2019 was GH¢208,565.18 million (60.55 % of GDP) comprising of external debt of GH¢107,166.78 million and domestic debt of GH¢101,398.40 million.

Trend of Sources of Fiscal Deficit Financing (Domestic vs Foreign) September 2015- September 2019



Source: 2020 Budget Statement

Trend of Public Debt and Debt Accumulation 2015- September 2019



Source: 2020 Budget Statement

Even though government has managed to stay within the statutory budget deficit threshold required, there remains difficulties in mobilisation of tax revenue. Government's inability to increase tax revenue may force it to cut expenditure in order to stay within the deficit threshold. Expenditure cuts may in turn slow down economic growth. Government should continue to use policy initiatives to drive a more efficient and inclusive tax system to help improve revenue collection in order to increase the fiscal space for prudent spending.

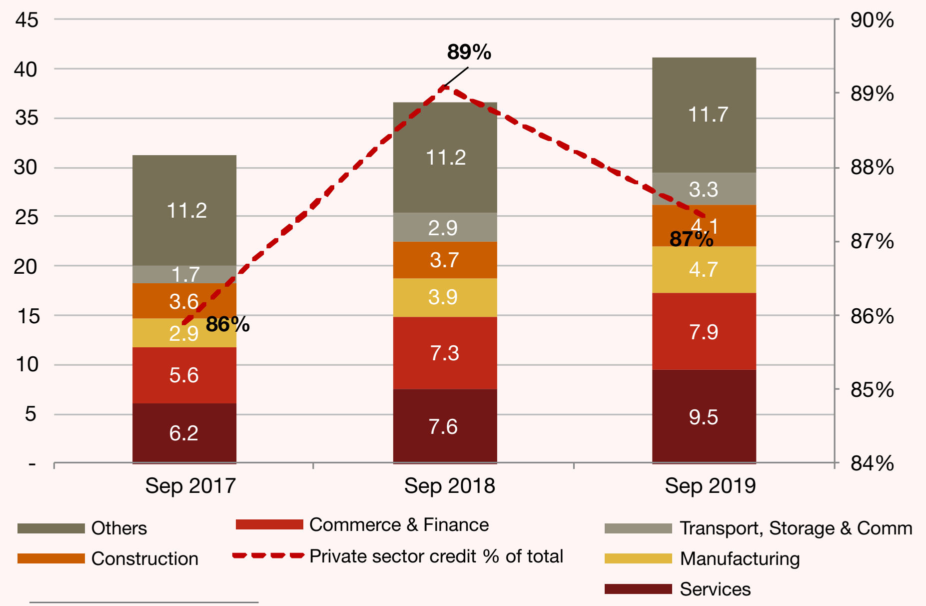
The buyback of portions of the GoG 2022 and GoG 2023 Eurobond, and the liability management operations in the domestic market, have helped reduce rollover risk associated with these borrowings. However, the impact of foreign exchange capital outflows as a result of interest payments remains a major challenge particularly in terms of its impact on the stability of the Ghana Cedi.

Monetary Sector

Credit to the private sector

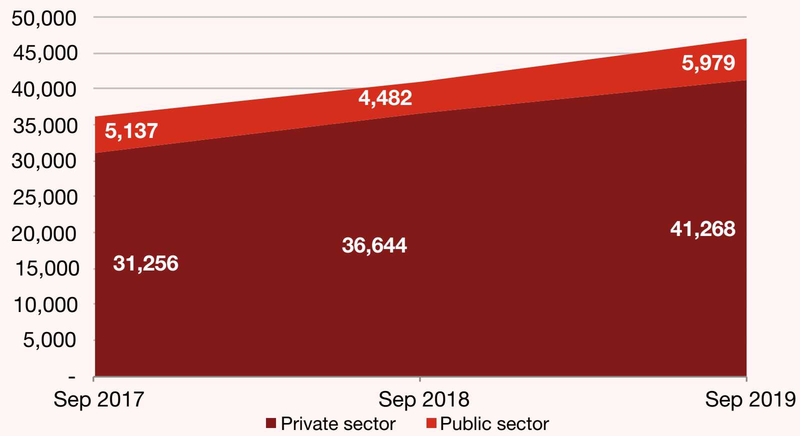
Credit to the private sector expanded by 12.62% between September 2018 and September 2019 compared to a growth of 17.24% over the same period in 2018. Total stock of outstanding credit amounted to GH¢47,247.04 million with the private sector accounting for approximately 87.35% as at the end of September 2019.

Distribution of outstanding private sector credit: Sep 2018 vs. Sep 2019 (in billions of GHS)



Source: 2020 Budget Statement

Private sector portion of outstanding credit (in millions of GHS)



Source: 2020 Budget Statement

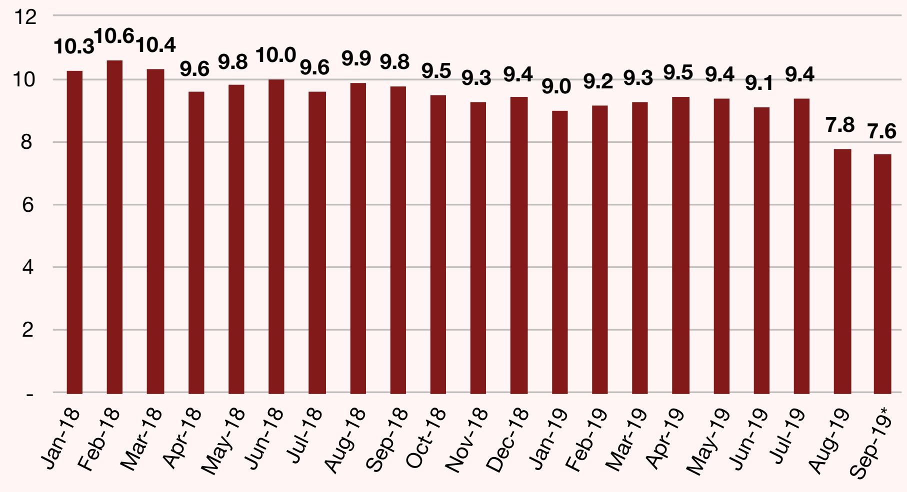
Although credit to the private sector has expanded in 2019, the private sector's portion of total outstanding credit has contracted from 89.10% as at September 2018 to 87.35% as at September 2020, indicating government's increasing dominance in the credit market. This, we note, has resulted mainly from Banks increasing their investments in Government instruments due to the heightened risk in banks' credit portfolio. Going forward, we expect private sector credit to expand further mainly on the back of the various credit-related initiatives planned by the Government. Key amongst these include the establishment of an Enterprise Credit Scheme, Government's intention to spend on infrastructure, Government's support to long term institutional investors and the promotion of micro business and household lending.

Inflation

Headline inflation declined from 9.80% in September 2018 to 7.60% as at September 2019 (based on the rebased Consumer Price Index series). Inflation took a downward trend from January 2019 where it stood at 10.80%. Government has projected inflation to hit 8% by 2020, which is within the medium-term band of 8±2%.

Although the decline in inflation in 2019 has been driven mainly by non-food inflation and tight monetary policies, the sharp decline from 9.40% in July 2019 to 7.80% in August 2019 was partly influenced by the rebasing of the inflation basket in August 2019. The rebasing led to a significant increase in the number of items in the inflation basket whilst the points of data collection also increased.

Monthly year-on-year headline inflation (%): Jan 2018 - Sep 2019



Source: BoG Monetary Time Series Data
September 2019 BoG Summary of Economic and Financial Data
*2020 Budget Statement

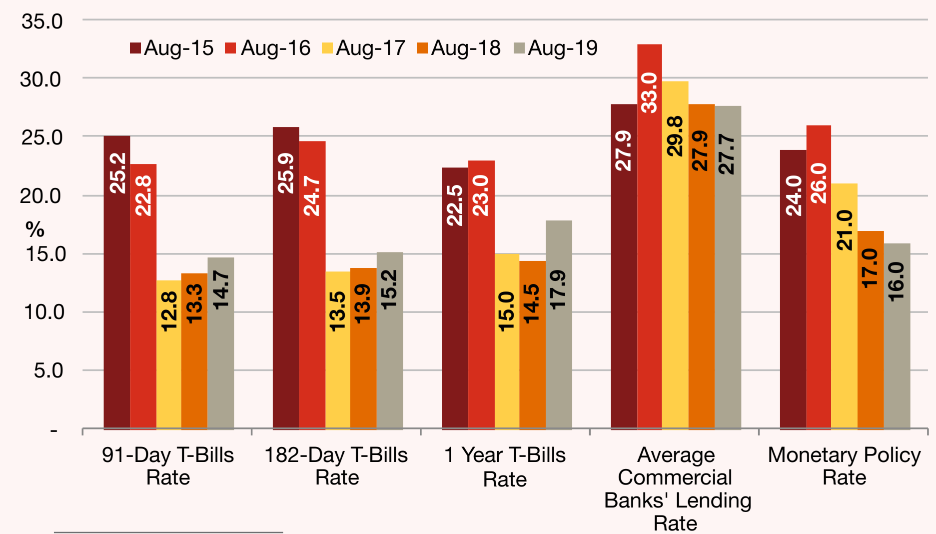
Interest Rates

The monetary policy rate reduced marginally from 17% in August 2018 to 16% in August 2019. The marginal decrease was due to reduction in headline inflation during the period coupled with favourable global conditions.

Average commercial lending rates however reduced from 27.85% in August 2018 to 27.66% in August 2019, reflecting a marginal response to the decline in the monetary policy rate from 17.0% to 16.0% over the same period. As shown in the chart below, the short-dated Treasury bills rates have all trended upwards from August 2018 to August 2019.

The upward trend seen in T-bills rates largely reflects the effect of increased domestic borrowing by GoG. Outstanding public sector credit expanded by 33.39% from GH¢4,482 million in September 2018 to GH¢5,979 million in September 2019. We consider the gap between the policy rate and the average banks' lending rate to be too high [27.66%- 16.00%= 11.66%] as the general rule of thumb globally, is for this differential not to exceed 5%. The high differential between the policy rate and the average lending rate is an indication of structural inefficiencies that will have to be addressed if significant growth in private sector credit is to be achieved.

Year-on-year interest rates trends (%): Aug 2015 - Aug 2019

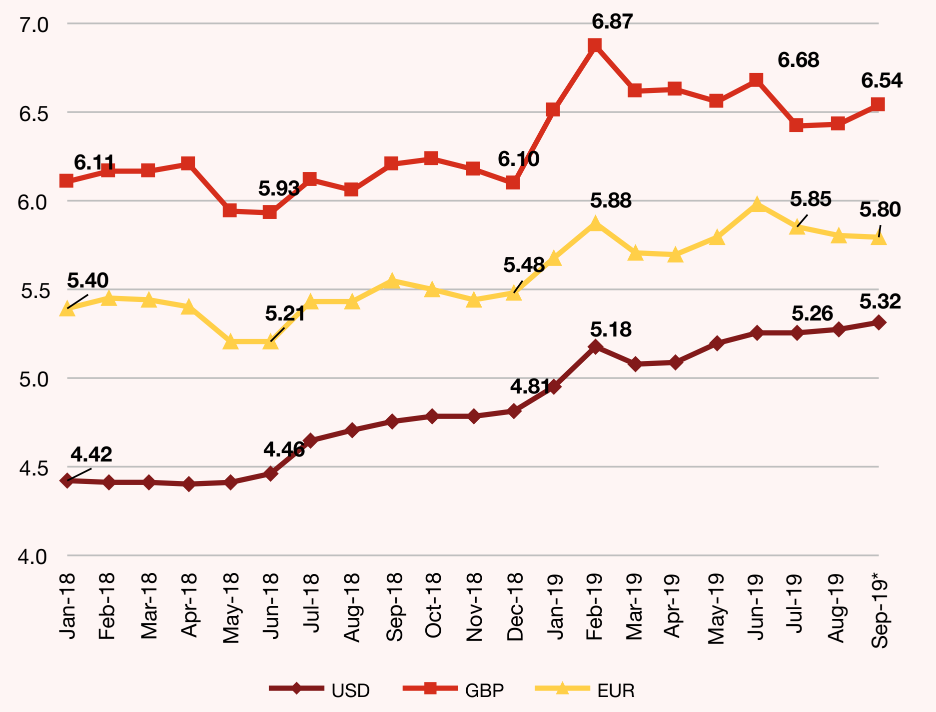


Source: BoG Monetary Time Series Data
September 2019 BoG Summary of Economic and Financial Data

Exchange Rates

The Ghana Cedi depreciated by 8.40% against the US Dollar between January to December 2018 as compared with a depreciation of 4.90% for the same period ending December 2017.

Interbank month-end exchange rates (GHS): Jan 2018 to Sep 2019



Source: BoG Time Series Data and month-end exchange rates

The spike in exchange rates in the first quarter of 2019 was largely driven by BoG's revision of the policy rate from 17% to 16%, which triggered local currency sell-offs by external holders of domestic bonds, thereby putting pressure on the forex reserves. A decline in the policy rate ultimately reduces the returns of the investments in bonds that non-residents hold, hence the indicated reaction by these external holders of domestic bonds. Additionally, the announcement by GoG that the IMF bailout program had come to end also created uncertainties, which led to speculative attack on the local currency.

Going forward, inflows from the Cocobod loan (US$ 600 million), plus the US$3,000 million Eurobond planned for 2020 are expected to ease exchange rate pressures and contribute to stabilising the exchange rate. In addition, Government has expressed intent to drive an agenda to make Ghana a preferred destination for FDIs, which will further cushion the local currency. However, as the foreign currency component of Ghana's debt stock increases, exchange rate pressures may be heightened through debt servicing commitments, which are denominated in foreign currency. Also, Government's plan to expand infrastructure in 2020 may lead to imported inflation as most construction materials are imported, which could also heighten exchange rate pressures. In effect, Government must aim to appropriately balance its growth agenda and the desire to maintain a strong local currency in order not to erode the fiscal gains achieved in previous years.

Macroeconomic performance and targets

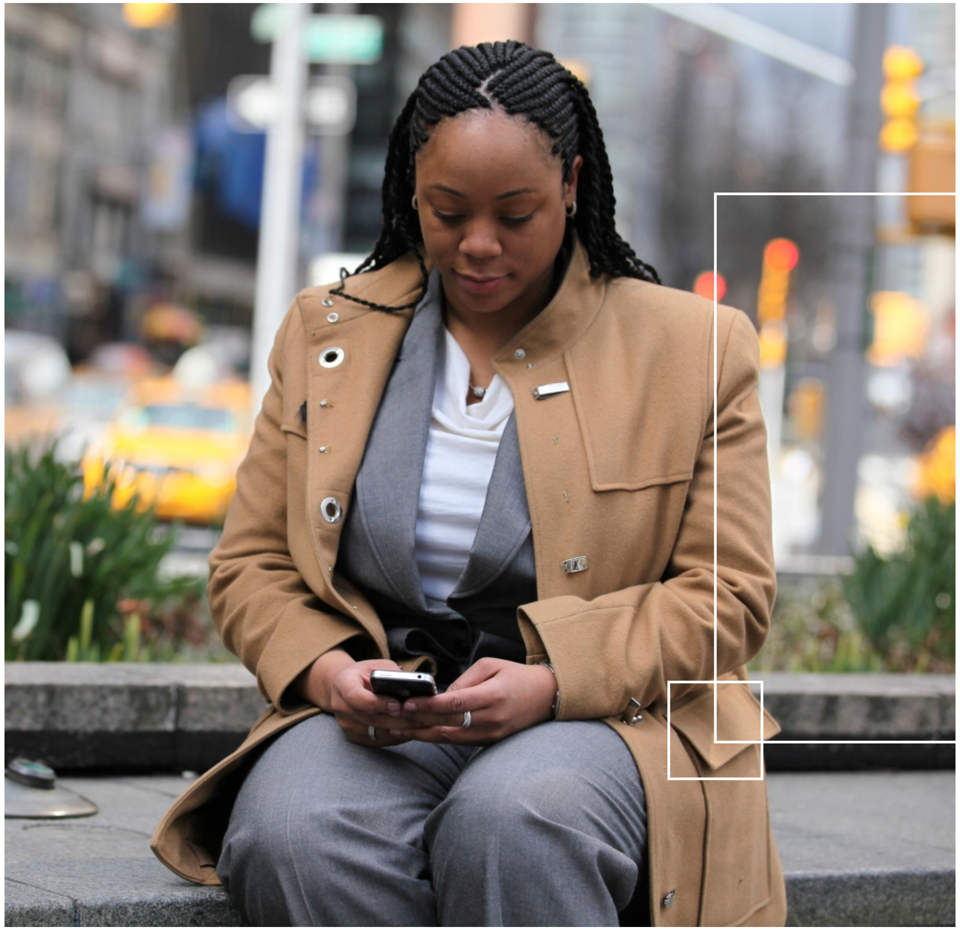
Government intends to achieve a growth in real GDP from a projected outturn of 6.98% for 2019 to an average of 5.70% over the medium term (2020 to 2023). Inflation is also set to decline from 7.60% as at September 2019 to a target band of 8±2% over the medium term, whilst overall fiscal deficit is expected to remain within the 5% threshold imposed by the Fiscal Responsibility Act (2018) for the foreseeable future.

Description	2019 Targeted**	2019 Projected Outturn	2020 Target	2020-2023 Target
Growth in Real GDP (incl.oil)	7.1%	7.0%	6.8%	5.7%
Growth in Real GDP (non-oil)	6.0%	5.9%	6.7%	5.9%
End of Period Inflation (%)	8.0%	8.7%*	8.0%	8±2%
Overall Fiscal Budget Deficit (% of GDP)	4.5%**	4.7%	4.7%	Not more than 5%
Gross International Reserves	Not less than 3.5 months of import cover	Not less than 3.5 months of import cover	Not less than 3.5 months of import cover	Not less than 3.5 months of import cover

*International Monetary Fund (IMF) estimate
**Revised in 2019 Mid-Year Review documents

Government's conservative macroeconomic outlook for the short to medium-term reveals its concerns regarding the contribution of oil to real GDP growth. The restrained outlook for 2020 may also reflect the contraction in business and investment activities usually associated with election years.

Government will need to aggressively implement its domestic revenue mobilisation agenda to ensure that it can maintain expenditure levels without breaching the 5% fiscal budget deficit limit. A key component of the revenue mobilisation drive is the Government's digitisation agenda aimed at widening the tax net. In this regard, we expect data collection on prospective tax payers to intensify in 2020.



3

Tax

Direct Taxes

The provisional performance for income and property taxes ("direct taxes") for the first nine months was GH¢14.20 billion compared to a programmed amount of GH¢15.90 billion. This 10.5% adverse performance variance accounts for about 49% of the shortfall in total tax revenues for the first nine months of the year. Government expects that by the close of 2019, direct taxes will be GH¢22.20 billion against a (mid-year revised) budgeted amount of GH¢22.70 billion. This means that by the end of the year, direct taxes will largely be expected to be on target with an adverse variance of GH¢0.50 billion.

In 2020, Government expects direct tax revenues of GH¢26.60 billion, a 20% growth compared to the projected outturn for 2019. To achieve this revenue growth, several tax policy measures will be introduced to complement existing measures. These direct tax policy measures include the following:

Proposal	Commentary
Renewal and extension of National Fiscal Stabilisation Levy	**Renewal and extension of National Fiscal Stabilisation Levy ("NFSL")** The NFSL will be renewed and extended for another five years. The NFSL is a 5% tax on the accounting profit before tax of selected entities. The selected entities are banks (excluding rural and community banks), non-bank financial institutions, insurance companies, telecommunication companies, breweries, inspection and valuation companies, mining support companies, and shipping lines, maritime and airport terminal operators. The levy was first introduced in 2009 as a short-term measure to raise revenue to stabilise the economy for the years 2009 and 2010. Subsequently, the levy was extended to 2011. In 2013, Government re-introduced the levy for the initial periods of 2013 and 2014 but the levy has seen several extensions with the latest extension expected to end in 2019. This proposed five year extension creates uncertainties for the selected entities and this is unlikely to be welcomed by the affected entities. Since the levy is not tax-deductible, it increases the effective income tax rate of the affected entities and reduces the rate of return of investors in those entities. In addition, the levy has outlived its short-term duration as the proposed 2024 expiration brings its existence to a total of 14 calendar years. With Government's aim of not overburdening citizens with new taxes, it seems it is seeking to make up for its fiscal deficits by resurrecting the NFSL rather than allowing an end to it per the National Fiscal Stabilisation Levy (Amendment) Act, 2017 (Act 958). It is our expectation that this will be the final extension.

Proposal

Increase in the tax-free band for individuals

Commentary

New tax-free threshold

The personal income tax band will be adjusted to ensure that the minimum wage for 2020 is tax-exempt.

As announced by the National Tripartite Committee in August 2019, the national daily minimum wage is expected to increase to GH¢11.82 effective January 2020. This translates into a monthly wage of GH¢319.14 (assuming 27 working days in a month).

The proposed increase in the tax-free band is consistent with the Government's commitment to waive taxes for any individual who does not earn more than the monthly minimum wage.

Given the proposed changes to the personal income tax bands, we are not certain how this will affect the rest of the graduated income tax bands. Our expectation is that there should be some relief for majority of resident individuals following the change.

These new measures may affect Government's revenue from personal income taxes and by extension overall revenue collections. As a compensating measure, the tax compliance and administrative measures announced in the Budget would need to be strictly enforced, together with strict enforcement of the existing income tax laws. Taxpayers should expect intensive tax audits as a result and should comply with all tax laws.

Proposal

Increase in personal reliefs

Commentary

Upward adjustment in personal reliefs

Government proposes to increase personal reliefs such as marriage relief, child education relief and old age relief.

Under the Income Tax Act, 2015 (Act 896) the available personal reliefs to qualifying resident individuals are marriage/responsibility, child education, disability, old age, aged dependant relative and self-education reliefs. The personal reliefs to be enjoyed (except for disability reliefs) range from GH¢100 to GH¢600 per year as shown below.

Marriage / responsibility	Child education (per dependant limited to three dependants)	Disability (percentage of Y*)	Old age	Aged dependant relative (per dependant limited to two dependants)	Self-education
GH¢200	GH¢200	25%	GH¢200	GH¢100	Up to GH¢400

* Y is assessable income

Broadly, the Commissioner-General grants the reliefs upfront after a relief application is submitted by a taxpayer. However, several taxpayers do not apply for the reliefs because the amount of the relief is not considered valuable in comparison to the cumbersome administrative procedures that must be followed to enjoy the reliefs.

We expect the reliefs to be attractive if the amounts are substantially increased and the process for accessing the reliefs is simplified.

Proposal	Commentary

Requirement for taxpayers to disclose their aggressive tax planning arrangements under the relevant Base Erosion and Profit Shifting ("BEPS") Action Point

Review of current tax laws and incorporation of BEPS action point on Mandatory Disclosure Rules in legislation

Government proposes to review the current laws and include a requirement for taxpayers to disclose their aggressive tax planning arrangements, under the relevant BEPS action points in existing legislation.

Government intends to adopt BEPS Action 12 "Mandatory Disclosure Rules" which contains recommendations regarding the design of mandatory disclosure rules for aggressive tax planning schemes, particularly those arising from international or cross-border transactions.

The adoption of the mandatory disclosure rules could be to reinforce the general anti-avoidance rules in the income tax law which gives the Commissioner-General the power to re-characterise or disregard an arrangement that is entered into or carried out as part of a tax avoidance scheme. This will serve as a powerful compliance tool and a deterrent against aggressive or abusive tax planning. The Government probably intends to minimise the information gap between tax authorities and taxpayers by requiring taxpayers to provide information on what is defined as aggressive transactions, arrangements or structures through mandatory disclosure rules.

This information is also essential to enable Government to quickly respond to tax exposures through informed tax audits and/or reviewing tax laws to close any revenue loopholes. However, in order to derive the best results from this requirement, Government will need to implement robust monitoring and execution processes. Government would also need to carefully consider several issues and questions including:

- what would be considered as "aggressive" tax planning;
- what information is to be reported;
- any applicable thresholds; and
- the administrative and compliance costs for taxpayers and tax administrators, among others.

Government is encouraged to carefully recognise the difference in our environment when drawing on the experiences of other countries that have implemented such rules.

Indirect Taxes

The provisional performance of domestic supplies and international trade taxes (jointly referred to as "indirect taxes") for the first nine months was GH¢16.40 billion compared to a programmed amount of GH¢18.10 billion. This 9.4% adverse performance variance accounts for about 51% of the shortfall in total tax revenues for the first nine months of the year. Government expects that by the close of 2019, indirect taxes will be GH¢22.70 billion against a (mid-year revised) budgeted amount of GH¢25.00 billion. This means that by the end of the year, indirect taxes will have an adverse variance of GH¢2.30 billion.

In 2020, Government expects indirect tax revenues to be GH¢24.90 billion, a growth of 9.7% compared to the projected outturn for 2019 of GH¢22.7 billion. To achieve this growth in revenue, several tax policy measures will be introduced to complement existing measures. These indirect tax policy measures include renewal of the Special Import Levy and implementation of the taxation of e-commerce transactions. On the contrary, the 2020 Budget seeks to remove Value Added Tax ("VAT") on certain services.

The key proposals on indirect taxes for 2020 are discussed below.

Proposal	Commentary
Renewal and extension of the Special Import Levy	**Renewal and extension of Special Import Levy ("SIL")** The SIL will be renewed and extended for another five years. The SIL was introduced in 2013 by the Special Import Levy Act, 2013 (Act 861) for the initial period of 2013 to 2015. The levy was imposed at 1% or 2% on the importation of specified goods. In December 2015, the duration of the levy was extended to 2017. But in 2017, the 1% SIL was abolished whereas the 2% SIL was extended to 2019. Contrary to expectations, Government has indicated in the 2020 Budget that the 2% SIL will be extended from its current end date of December 2019 to December 2024. With the extension of the SIL by a further five years, it appears the Government does not want to lose the tax revenue generated from the levy. However, this decision by Government may lead to an outcry by the business community, particularly importers, as the levy increases the cost of imports, and the general cost of doing business at Ghana's ports. Government may need to decide on whether to abolish the tax on its next expiry, or not assign an expiry should it be extended again to ensure certainty.

Proposal

Tax incentives for Private Equity, Venture Capital and Mutual Fund companies

Commentary

Abolishing the application of VAT on management fees of Private Equity, Venture Capital and Mutual Funds

To encourage the establishment of Private Equity, Venture Capital and Mutual Funds, which will improve the ecosystem for start-ups, the current application of VAT on management fees for these funds will be abolished.

In recent times, Government has exhibited an increased focus on reforming the financial services sector. In 2017, Government abolished the imposition of VAT on financial services rendered for a fee, commission or similar charge. Financial services, for the purposes of VAT, is limited to provision of insurance, dealing in money and similar qualifying transactions. Management services for Private Equity, Venture Capital and Mutual Funds are arguably not included in the scope of financial services for VAT purposes.

Abolishing the current application of VAT on management fees for these funds will most likely be achieved by making the management services of those funds an exempt supply for VAT and not a zero-rated supply. This exemption may therefore be achieved by modifying the definition of financial services or increasing the list of exempt items in the First Schedule to the Value Added Tax Act, 2013 (Act 870).

The VAT implication of the above measure means that, the VAT on purchases which was previously deducted from VAT charged on management fees will no longer be available. If such funds do not have any other taxable supplies, then, they would have to apply for deregistration and will no longer file monthly VAT and related returns except for imported VAT returns, where applicable. Otherwise such funds should recognise that the abolishment of VAT on management fees may expose their operations to complexities of VAT apportionment rules.

The accounting systems of such funds should be modified in order to properly account for changes in income tax computations, especially where they are not exempt from income tax.

Proposal

Strengthening the regulatory framework for taxation of the digital economy

Commentary

Review and strengthening of current legislation and regulatory framework for taxation of e-services and the digital economy

Government will review current legislation to strengthen the relevant laws and provide additional regulations and administrative guidelines for the taxation of e-services.

There is an increased focus by Revenue Authorities on taxation of the digital economy. This is in line with global trends of addressing the issues of BEPS and reducing the revenue loss arising from non-taxation of cross-border business activities carried out through electronic and digital means.

The current VAT Act has since its passage in 2013, required non-resident providers of telecommunication and electronic commerce services to register and account for VAT if their services are not provided through a Ghanaian VAT registered agent. The implementation of this provision of law has not been as effective as expected mainly due to administrative hurdles.

Since there is an existing provision in law that allows for taxing an aspect of the digital economy, we expect the Government to introduce guidelines and amend the VAT Act or VAT Regulations, if needed, to provide clarity on the procedure as a first step to meeting this objective. The measures can then be extended for purposes of taxing the income generated by players in the digital economy.

With the increase in innovation and technology across the globe and the increased pace of adoption of these technologies by Ghanaians, we expect this measure when fully implemented to yield a considerable amount of tax revenue for Government. The Ghana Revenue Authority ("GRA") will have to increase its technological capacity and upskill its staff in order to effectively deal with tax evasion associated with e-commerce.

General Administrative Measures

The provisional performance for tax revenue for the first nine months was GH¢29.0 billion compared to a programmed amount of GH¢32.40 billion. This 10.4% adverse performance variance accounts for about 61.9% of the shortfall in domestic revenues for the first nine months of the year. Government expects that by the close of 2019, tax revenues will be GH¢42.40 billion against a (mid-year revised) budgeted amount of GH¢45.6 billion. This means that by the end of the year, tax revenues will have an adverse variance of GH¢3.2 billion amounting to 7.1% of the revised budget for the year.

The Minister of Finance has outlined several tax-related administrative measures to be pursued in 2020. These measures seek to restructure the tax system, enhance tax compliance and increase the efficiency of the GRA. In a year where relatively minimal taxes are to be introduced, it is imperative to get the administrative measures right since this may have the largest influence on Government's ability to meet its tax revenue target of GH¢49.2 billion.

The tax administrative measures proposed in the 2020 Budget include:

Proposal	Commentary
Restructuring the tax system and developing a comprehensive revenue policy and strategy	**Restructuring the tax system and developing a comprehensive revenue policy and strategy** To address the challenges of revenue mobilisation, Government will restructure the tax system and develop a comprehensive revenue policy and strategy. Over the last few years, Government has missed its revenue targets although tax revenue has experienced some year on year growth. Government attributes the shortfall in the 2019 revenue to underperformance in tax revenues. It is therefore not a surprise that Government is looking to restructure the tax system in a bid to address the challenges with domestic revenue generation. In our view, the restructure of the tax system should include exploring ways of broadening the tax net to include especially the informal sector, and a review of the current benchmark values system being operated at the ports. We also recommend that the Exemptions Bill which was introduced during the first quarter of 2019 and aimed at streamlining and sanitising the exemptions regime in Ghana, be passed into law as soon as possible. In addition to the above, it is our expectation that the restructure of the tax system will result in the employment of technology to make the tax system more efficient and taxpayer friendly especially as Ghana's ranking fell by four places to 118 in the 2019 World Bank Ease of Doing Business Report.

Proposal

Reforming the GRA for efficiency and productivity

Commentary

Reforming the GRA for efficiency and productivity

Government will work with the new leadership of the GRA under a transformation programme centred on the three main themes of People, Technology and Service to create a "NEW GRA" that will reflect the very best of efficiency and productivity.

Prior to 2009, tax was principally administered in Ghana by three separate agencies - Internal Revenue Service, VAT Service and the Customs, Excise and Preventive Service. In December 2009, these three agencies were merged together with the Revenue Agencies Governing Board Secretariat in accordance with the Ghana Revenue Authority Act, 2009 (Act 791) to form the GRA. Arguably, the creation of the GRA has resulted in certain gains. Ten years on, a reform aimed at making the agency more productive is laudable. We however hope that a credible statistical and economic impact assessment has or will be done to support the reforms.

People

People are an important element of any service delivery or experience. The GRA in recent times has made a number of changes to its top hierarchy as well as reassigned staff with the aim of improving revenue generation. As the global tax landscape continues to evolve, it is expected that the restructure under this theme will factor in both technical and ethical training for staff and equip them to perform their duties. There will also be the need to ensure that each section of the GRA is staffed with competent people who are committed to delivering high quality services to taxpayers.

Proposal

Reforming the GRA for efficiency and productivity

Commentary

Reforming the GRA for efficiency and productivity (Cont'd)

Government will work with the new leadership of the GRA under a transformation programme centred on the three main themes of People, Technology, and Service to create a "NEW GRA" that will reflect the very best of efficiency and productivity.

Technology

Research shows that the advent of technology has enhanced the level of productivity in tax revenue collection and administration across the globe. In recent years, the GRA has introduced a number of new technological instruments to enhance tax compliance and revenue generation such as the Integrated Tax Application and Preparation System App ("iTAPs"), the Ghana Tax Stamp Authenticator, Online Tax Identification Number Registration and e-filings. Despite these innovations, there is more room for progress on the technology front. For instance, the GRA's online presence can be made more relevant to taxpayers by publishing various directives and policies in addition to the various tax forms and returns in a timely manner.

We welcome the agenda by Government to transform the GRA using technology and look forward to a time when general taxpayer services will be automated.

Services

A reformation of people and technology at the GRA will invariably result in higher service quality. The GRA values, which include integrity and fairness, should also be evident in dealings with taxpayers.

Aligning the proposed reforms of GRA under these themes will ensure that quality service is provided to taxpayers. Our expectation is that the reforms will result in quicker responses to ruling and other requests to encourage voluntary compliance.

Proposal

Passing the Revenue Administration Regulations and Transfer Pricing Regulations

Commentary

Passing the Revenue Administration Regulations and Transfer Pricing Regulations

The Revenue Administration Regulations ("RAR") and the updated Transfer Pricing Regulations ("TPR") will also be submitted for passage.

The 2018 Budget mentioned the introduction of Voluntary Disclosure Procedures ("VDP") to waive penalties on voluntary disclosure by taxpayers and an Alternative Dispute Resolution ("ADR") to resolve tax disputes between taxpayers and tax administration. Although the Minister did not disclose the key contents of the RAR, it is our expectation that the RAR will contain provisions on VDP and ADR to improve tax compliance.

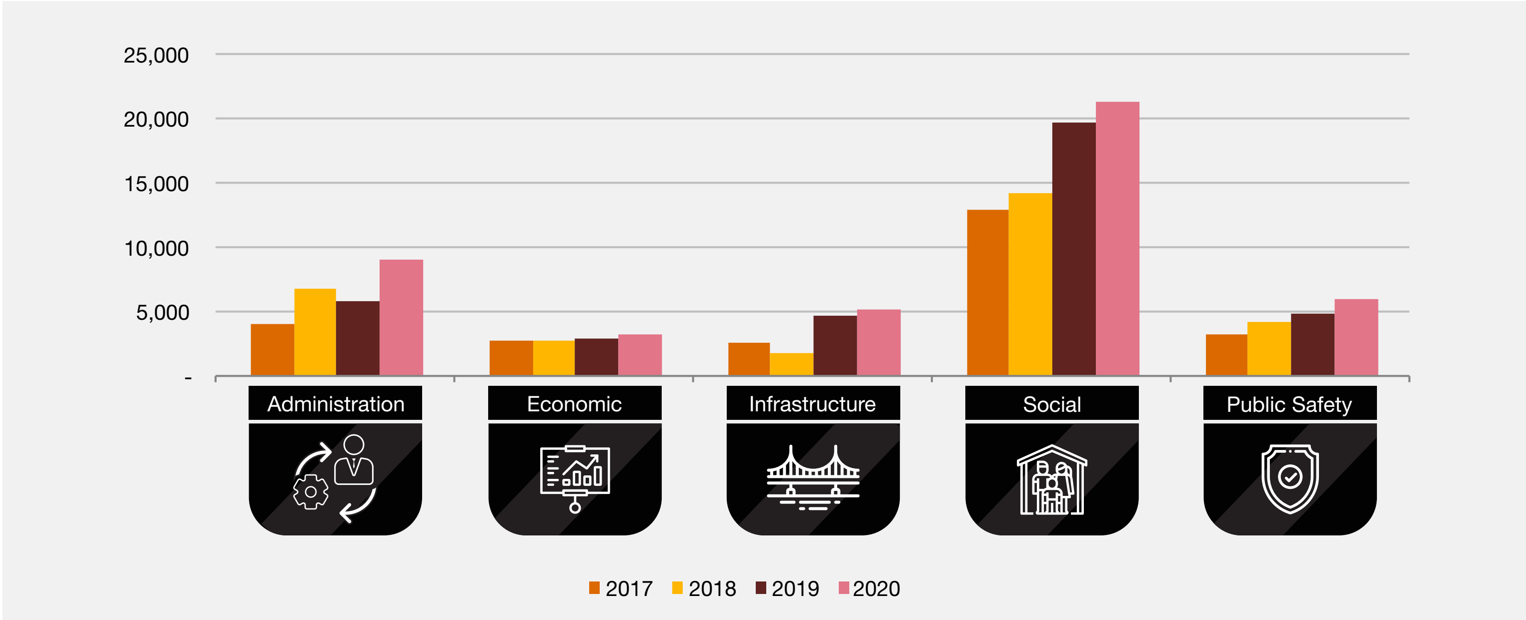
In line with global trends, we expect the TPR, in addition to introducing provisions on low value services, to also include aspects of BEPS Action 13 which covers Country by Country Reporting ("CbCR"), Master file and local file requirements. Although this would mean there will be another level of compliance and documentation requirements for taxpayers and multinationals in Ghana, we believe this will go a long way to help Government in its quest to meet revenue targets.

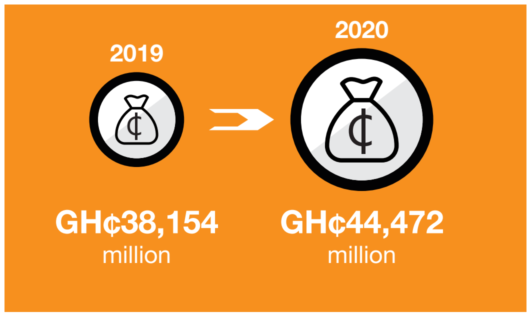
Sectoral Outlook Overview

4

Sectoral Outlook Overview

The Sectoral Outlook highlights the key Government activities and interventions in order to achieve the budget theme of “Consolidating the gains for growth, jobs and prosperity for all”. It is composed of five main sectors namely: Administration, Economic, Infrastructure, Social and Public Safety. The expenditure allocation for these sectors in the 2020 Budget Statement and preceding budget statements of 2019, 2018 and 2017 is shown in the graph below:

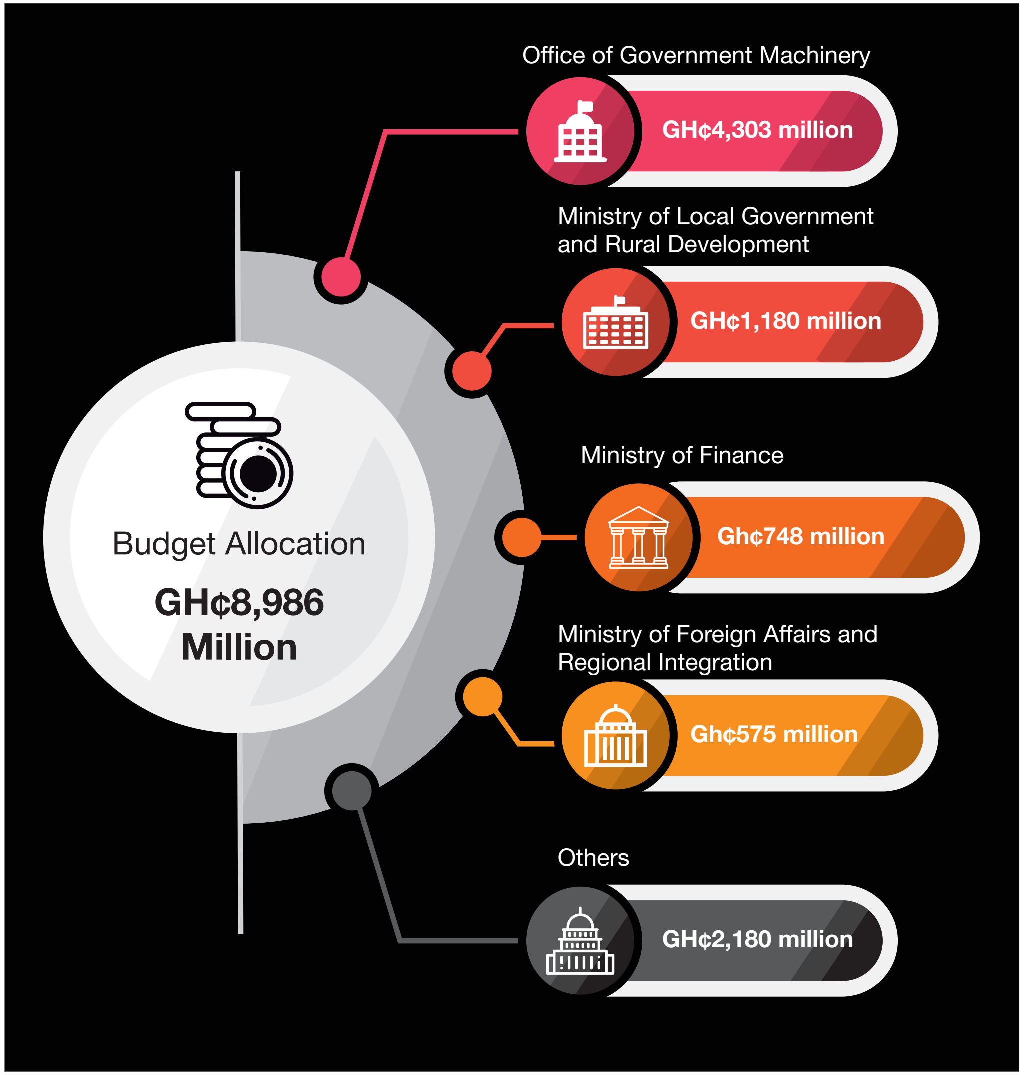




Government has increased the Sectorial allocation from GH¢38,154 million in 2019 to GH¢44,472 million in 2020, representing an increase of 17%. The allocation reflects Government's agenda of accelerating the economic transformation of Ghana in line with the United Nations Sustainable Development Goals (Agenda 2030) and African Union Agenda 2063. The key areas of focus in the 2020 Budget are: reforming business regulatory environment, intensifying drive for Foreign Direct Investment (“FDI”), enhancing financial support to local enterprises, social intervention, developing infrastructure, promoting industrialisation, job creation, efficient revenue mobilisation and security.

We set out below details of Government's key activities and spending plans for the five sectors in 2020.

ADMINISTRATION SECTOR- KEY MINISTRIES



Office of Government Machinery ("OGM")

Key initiatives for OGM in 2020 include:

- Continue to provide access to secondary education for 1.2 million Ghanaian students under the free Senior High School programme.
- Complete registration of nationals in ten remaining regions, under the National Identification Authority ("NIA"), by the end of February 2020.
- The Office of the Senior Minister to continue its drive to implement the National Public Sector Reform Strategy ("NPSRS") 2018-2023.

The 2020 budget allocation of GH¢4,303 million for the OGM represents an increase of 116% compared to GH¢1,991 million in 2019. This significant increase is largely due to the inclusion of expenditure designated for the Free Senior High School Programme which accounts for 56% of the budgetary allocation to the OGM.

Out of the OGM's budget of GH¢4,303 million, GH¢2,429 million is allocated to the free SHS programme representing 56% of budgetary expenditure of OGM. As a flagship initiative, the OGM appears to have direct oversight of the programme, an indication of Government's commitment to provide free SHS education to Ghanaian students. With the imminent graduation of the first batch of graduates from this programme, Government should put in place adequate measures to absorb these graduates into universities and technical universities. In addition, Government should provide the necessary tools for graduates who would prefer entrepreneurship.

It is envisaged that the 'Ghana Card' will be key in the verification and authentication of a national's identity in the provision of public services, banking services and also aid in increased domestic revenue collection. Government should ensure that the registration of nationals by the NIA in the remaining regions is completed.

Ministry of Local Government and Rural Development ("MLGRD")

Key Initiatives under MLGRD include the following:

- Carry out a post referendum review of relevant legislations to facilitate the process for the election of MMDCEs.
- Strengthen safety net systems and productivity by providing extremely poor households with income earning opportunities, through the Ghana Productive Safety Net Project ("GPSNP").
- Provide temporary employment to 47,987 extreme poor persons, engaging them in Labour Intensive Public Works ("LIPW"), in 80 districts.
- Maintain 1,600,000 m2 of landscape sites, in selected cities and towns through the Department of Parks and Gardens.

The 2020 budgetary allocation for MLGRD is GH¢1,180 million, compared to the 2019 allocation of GH¢586 million, representing a significant increase of 101%.

The post referendum review of relevant legislations in relation to the election of MMDCEs, will contribute to Government's efforts to decentralise governance to the local level. Additionally, the GPSNP project under MLGRD will contribute to alleviate poverty and improve the lives of poor households in the country.

Ministry of Finance ("MoF")

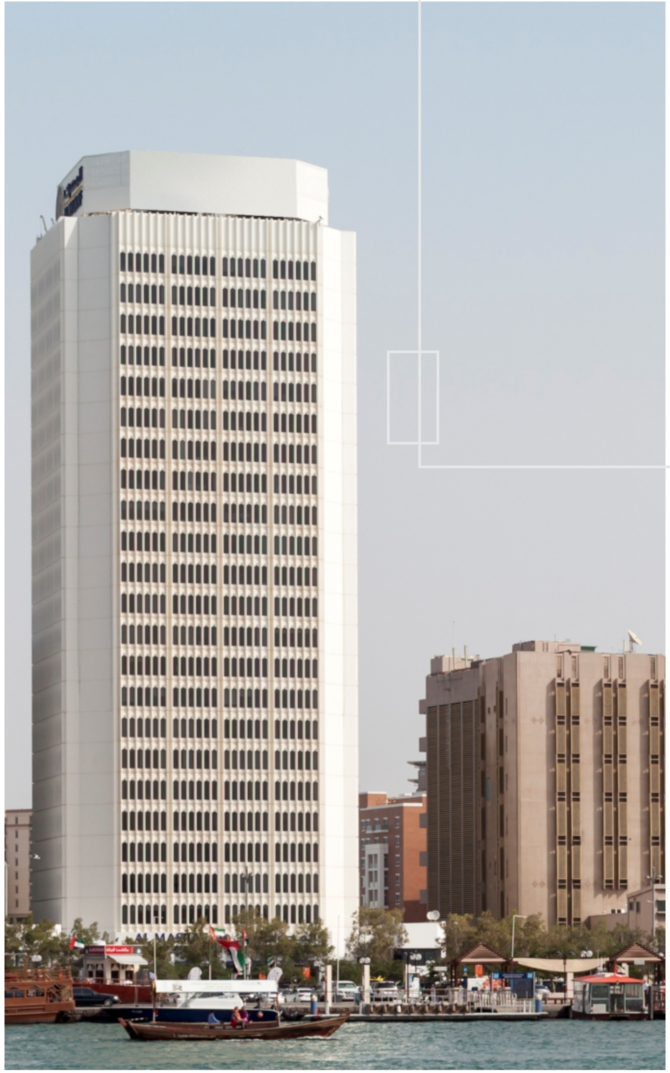
Key initiatives under the Ministry of Finance for 2020 include:

- Establish and commence operation of the National Development Bank ("NDB") with the capacity to mobilise private capital towards agricultural and industrial transformation.
- Launch of GH¢2 billion Enterprise Credit Scheme (ECS) in the first quarter of the year.
- Continue to coordinate activities for the submission of the Ghana Asset Management Corporation (GAMCORP) Bill to Parliament for consideration and passage into law.
- Collaborate with the State Interests and Governance Authority (SIGA) to develop regulations to operationalise the SIGA Act and finalise components of the State Ownership framework.
- Operationalise the Integrated Bank of Projects System to improve the linkage between development plans, projects and the annual budget.

Budget allocation for MoF increased by 32% from GH¢564 million in 2019 to GH¢748 million in 2020, mainly due to significant increases in the amounts allocated for compensation of employees, procurement of goods and services and internally generated funds ("IGF").

Government's plan to establish the Enterprise Credit Scheme aimed at incentivising banks to lend to the private sector at discounted lending rates is commendable. The implementation of this scheme, as well as Government's intention to partner with Fintech companies, local Banks and mobile money operators using technology-driven platforms will ensure easier and quicker access to credit facilities for Ghanaian businesses and individuals. This will also further Government's digitisation agenda.

Government should ensure that the setting up of a National Development Bank keeps to its core mandate of providing credit facilities especially to businesses in the agricultural and industrial sectors. This will provide much needed growth in these sectors and increase socio-economic development as a whole.

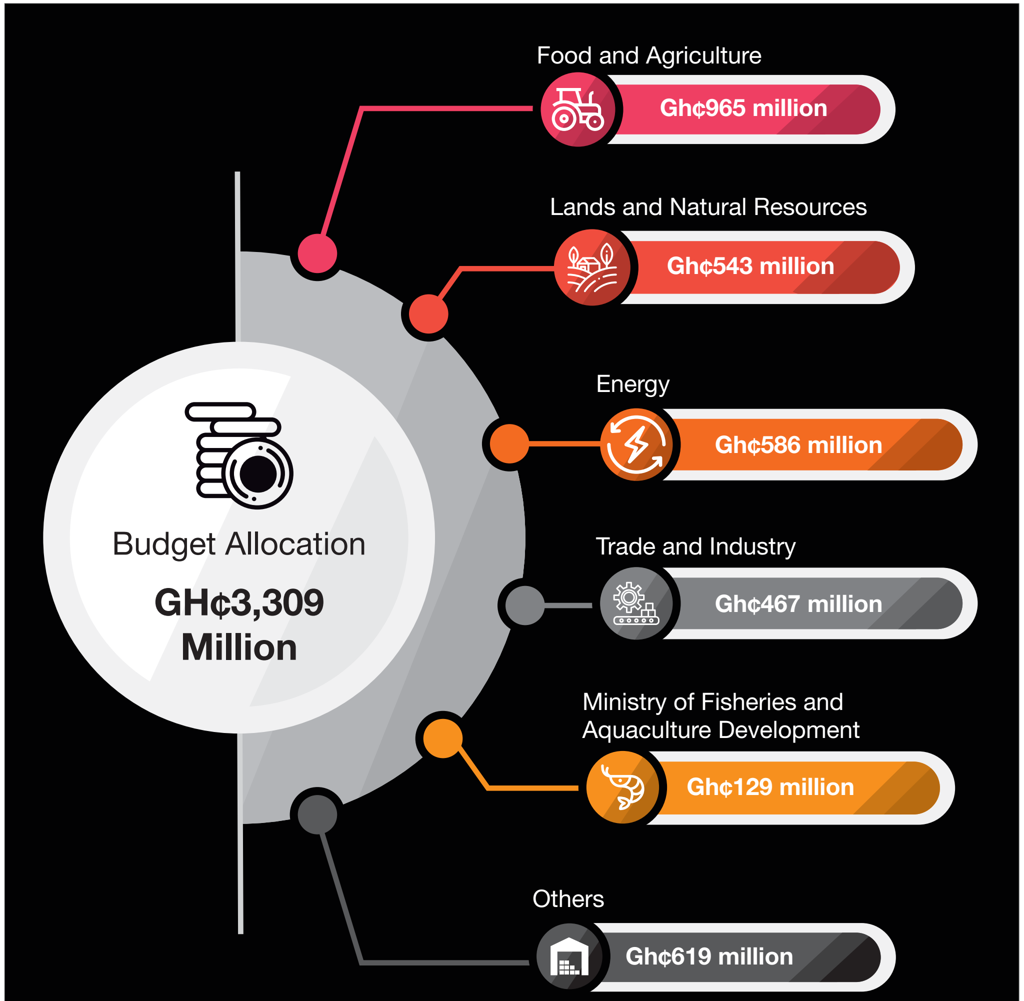


Others

The other Ministries, Departments and Agencies ("MDAs") under the Administration Sector include the Audit Service, Ministry of Planning, Ministry of Foreign Affairs, Ministry of Information and the Electoral Commission. Government's key initiatives for 2020 under some of these MDAs include:

- Ministry of Monitoring and Evaluation to embark on real-time monitoring of Government flagship programmes to evaluate the implementation and impact, by the Ministry of Monitoring and Evaluation.
- Commence full-scale implementation of the RTI Law and continue the application of a development communication model to communicate government flagship programmes through the Ministry of Information.
- Organise voters' nationwide registration, exhibition of the voters' register, etc. in preparation for the December 2020 Parliamentary and Presidential Elections by the Electoral Commission.
- Ministry of Planning to establish an SDGs Resource Centre as well as collaborate with the National Development Planning to continue engagement with key stakeholders on the implementation of the SDGs.
- Audit of 5,000 entities by the Audit Service, in line with its risk profile. In addition, the Service will roll out the Audit Management Information System ("AMIS") for audit planning, execution and reporting to increase the overall quality of audits.

ECONOMIC SECTOR- KEY MINISTRIES



* Others include: Ministry of Tourism, Culture and Creative Arts (GH¢104 million), Ministry of Science, Environment and Innovation (GH¢475 million) and Ministry of Business Development (GH¢40 million).

Ministry of Energy ("MoEn")

The key initiatives include:

- Complete 400MW Early Power Project Phase 1 stage two (40MW) to convert the plant to combined cycle operations and the T3 repowering project.
- Implement the 161kV Aboadze-Takoradi line upgrade project, 161kV Takoradi-Tarkwa-New Tarkwa-Prestea upgrade project and the 330kV A4BSP Pokuase - Nkawkaw-Anwomaso project.
- Continue the implementation of the Energy Sector Recovery Programme
- Roll out the distribution of 500,000 improved charcoal cooked stoves in the rural and peri-rural areas.
- Develop human resource, identify suitable nuclear technology and partner a vendor country as part of the second phase of an industrialisation roadmap set out by the International Atomic Energy Agency.
- Continue the Rural LPG Promotion Programme by distributing 60,000 cook stoves to rural communities.
- Continue to negotiate on Petroleum Agreements and facilitate the development of a Secondary Gas Market for the Tema Industrial Area.

The MoEn saw a 17% increase in its allocation from GH¢ 586 million in 2019 to GH¢ 594 million in 2020.Government's planned investments in the power sector largely accounts for the increase in allocation to the Ministry of Energy.

Government's commitment to reducing high distribution losses and improve service quality is commendable and all efforts should be made to open up the market to private sector players. As we make efforts to reduce distribution losses, cheaper sources of power should be explored to further accelerate the Industrial Transformation Agenda.

Ministry of Food and Agriculture ("MoFA")

Government's key initiatives under the Ministry of Food and Agriculture (MoFA) include:

- Continue to roll out activities under the National Agriculture Investment Plan.
- Distribute 364,233MT of organic and inorganic fertilisers to farmers.
- Roll out the Productivity Enhancement Programme (PEP) in the cocoa sector to create 20,000 jobs.
- Train 240 youth in greenhouse production technology under Agribusiness.
- Train 2,000 farmers on emerging climate change issues, and monitor environmental compliance.
- Allocate GH¢465 million to the cocoa roads improvement programme.
- Complete the ongoing irrigation projects which will make 6,766 HA of land available for crop production.

The models under the National Agriculture Investment Plan continue to be key initiatives for the Government. In 2020, an amount of GH¢965 million was allocated to the MoFA representing a 0.3% decrease from 2019 budget of Gh¢968 million.

Government should consolidate the gains made in this sector, especially the Planting for Food and Jobs ("PFJ") programme, by focusing on modernising the sector to ensure total transformation.

According to the World Food Programme in its July 2017 "Ghana Zero Hunger Strategic Review" report, 40% of food output in Ghana is lost during the post-harvest process notably during the distribution phase. Government should secure the country's food distribution networks, improve efficiencies in the production and processing of agricultural products and reduce post-harvest losses, to attract private investors. Also, Government should ensure that the irrigation facilities to be constructed are fully utilised in order to reduce the dependence on rain-fed agriculture to all year-round agriculture

Ministry of Trade and Industry ("MoTI")

The key initiatives include:

- Continue the implementation of the Strategic Anchor Industries Initiative to create new pillars of growth and expansion in the industrial sector.
- Establish a National Sugar Industry Development Board which will implement the new National Sugar Policy.
- Provide access to finance to 2,000 Micro, Small & Medium Enterprises ("MSMEs") through the National Board for Small Scale Industries.
- Construct 30 Business Resource Centres (BRCs) in 30 districts.
- Provide training to 1,011 persons for various certification programmes through the GRATIS Foundation.
- Develop National Hydrocarbon Standards through the Ghana Standards Authority for the Gas Metering Project.
- Collaborate with the African Union Commission to fully operationalise the AfCFTA Secretariat in Accra.

Government's continued commitment towards its industrialisation agenda is evidenced in the 52% increase in the allocation to the Ministry of Trade and Industries from GH¢ 307 million in 2019 to GH¢ 467 million in 2020.

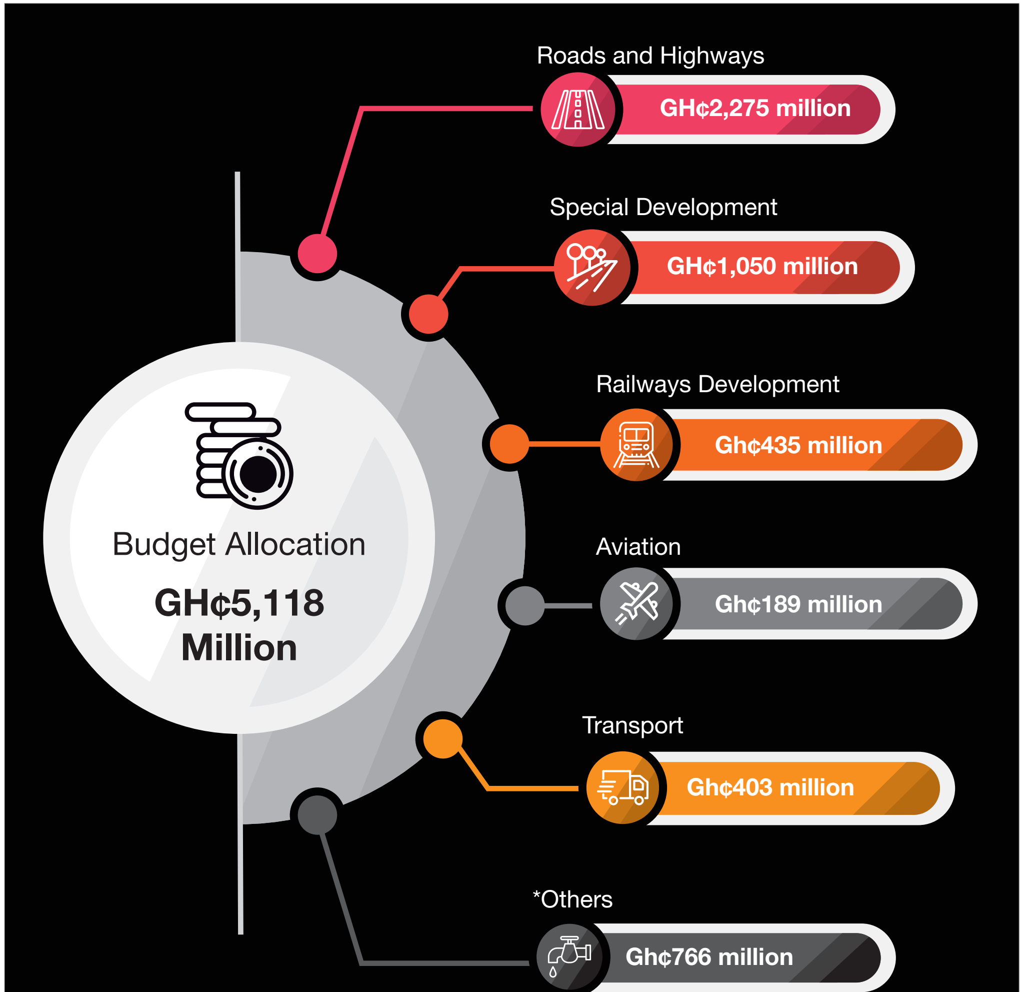
Government's vision of positioning Ghana as a hub for manufacturing is noteworthy. However, policy initiatives should be targeted towards incentivising private sector participation in the One-District-One-Factory programme in order to create more jobs for its citizenry.

Also, Government should expedite actions to fully operationalise the ACFTA Secretariat in Accra. The secretariat will boost the hospitality sector – and more broadly the services sector – and generate increased international exposure. It will also promote Ghana as an attractive investment destination and actively promote foreign direct investments. It would also attract major international financial institutions and become the preferred location for citing the corporate headquarters of international companies doing business in Africa; open new market opportunities under preferential terms for Ghanaian producers particularly SMEs and enhance Ghana's current industrial development agenda contributing to the diversification of the Ghanaian economy.

Key Government initiatives by the other Ministries include:

- Select investors to partner in the integrated aluminium industry for the establishment of up to three new mines, two refineries and a new smelter.
- Implement the Ghana National Plastics Action Partnership and the project on Marine litter and micro plastics.
- Facilitate the establishment of the iron and steel corporation to develop the country's iron ore reserves.

INFRASTRUCTURE SECTOR – KEY MINISTRIES



* Others include: Ministry of Works and Housing (GH¢148 million), Ministry of Water Resources and Sanitation (GH¢360 million), Ministry of Communication (GH¢152 million), and Ministry of Inner-City and Zongo Development (GH¢106 million)

Government has increased its infrastructure sector budgetary allocation from GH¢4,632 million in 2019 to GH¢5,118 million in 2020. This is a marginal increase of 10%. This budget includes US$646 million for the first phase of projects under Government's agreement with Sinohydro Corporation Limited. Government is pursuing accelerated infrastructure development by seeking long-term financing from various sources, including development partners and the private sector.

Ministry of Roads and Highways

The Ministry's key initiatives for 2020 are to:

- Construct 1,866km of critical regional roads.
- Construct 50km of trunk roads and 25km of urban roads.
- Commence the first phase of projects under the Sinohydro Master Project Support Agreement (“MPSA”).
- Undertake routine and periodic maintenance and minor rehabilitation of 31,945km of trunk, feeder and urban roads.
- Construct seven bridges on trunk roads, five on feeder roads and three on urban roads.

Government has allocated GH¢2,275 million to the Ministry of Roads and Highways compared to an allocation of GH¢1,291 million in 2019, representing an increase of 76%.

Government has described the year 2020 as “The Year of Roads”. This is demonstrated in the significant budgetary allocation. It is commendable that the Sinohydro Agreement has reached financial closure. Government should endeavour to fulfil its obligations in a timely manner to ensure that funds are released for the road projects to commence. The commitment by Government to pay 80% of road contractors should get contractors back to work in the sector to promote development and create jobs. It is imperative that the development of the roads sector remains a priority to facilitate the nation's economic transformation agenda.

Ministry of Railways Development

The Ministry's key initiatives to expand the railway sector in 2020 are to:

- Commence the first phase of the Kumasi section of the Kumasi - Paga railway line.
- Construct the first phase of Eastern railway line from Tema to Kumasi.
- Construct the Accra to Kasoa phase of the Accra - Cape Coast railway line.
- Commence construction of the Ghana to Burkina railway interconnectivity project.
- Rehabilitate the narrow-gauge railway line from Nsawam to Koforidua.
- Identify a strategic partner for the construction of approximately 700km of the Juapong to Paga railway line.

There has been a 32% decrease in the allocation for railway sector from GH¢636 million in 2019 to GH¢435 million in 2020. Government intends to introduce initiatives to build the capacity and skills of persons to make them commensurate with the expansion of the industry.

The reduction in the budgetary allocation for the Ministry of Railways Development could slow down Government's efforts to develop the sector. It would be beneficial for Government to pass the Public Private Partnerships (PPP) Bill into Law to attract private sector investment, which will accelerate the development of railways and other infrastructure. Government should seek to provide support in the form of guarantees, grants etc. in order to attract strategic investors to take up concessions to develop our railway network.

Government's collaboration with the George Grant University of Mines and Technology, Tarkwa to develop the curriculum for the transformation of the Railway Training School at Essikado into a tertiary institution is laudable. Government through the Ministry of Education should ensure that the content of the curriculum is more focused on practical skills development. This will equip persons in the railways industry with the requisite skills for the operation and management of the sector.

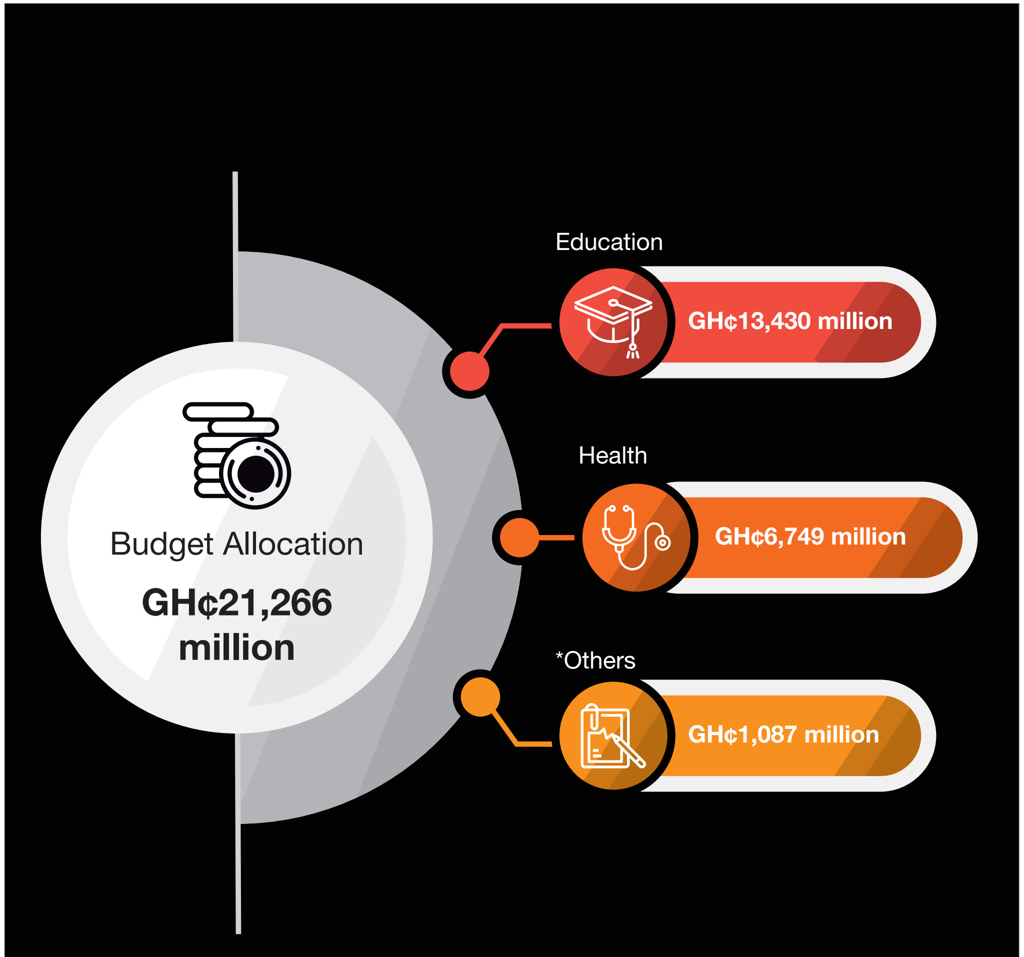
Others

The other Ministries consist of Ministries of Water Resources and Sanitation, Works and Housing, Communication, Aviation, Transport, Special Development Initiatives, Inner-City and Zongo Development. Some key initiatives in respect of these Ministries are:

- Provide 50 prefabricated grain warehouses to support Government's agriculture modernisation programme.
- Implement 560 “One Village One Dam” projects.
- Construct modernised Faecal Sludge Treatment Plant at Ashaiman and Bankuman under the GAMA Sanitation and Water Project.
- Expand the Nationwide Water Quality Monitoring network from 41 to 80 and increase water quality parameters.
- Procure 200 intercity buses for Metro Mass Transit Limited (“MMT”).
- Develop MRO/Cargo terminals at Tamale Airport and Aviation Park and Museum on a Public Private Partnership (“PPP”) basis.

The Ministry of Special Development Initiatives has a budgetary allocation of GH¢1,050 million in 2020 compared to GH¢1,321 in 2019. Although this is a reduction of 21%, the Ministry has the highest budgetary allocation in the infrastructure sector except for the Ministry of Roads and Highways. This demonstrates Government's commitment to implementing its flagship programmes to improve livelihoods. Government should ensure effective monitoring and evaluation, implement timely and transparent procurement processes as well as release funds expeditiously to facilitate the implementation of these programmes to accelerate the nation's growth and development.

SOCIAL SECTOR - KEY MINISTRIES



* Others include Ministry of Gender, Children and Social Protection (GH¢746 million), Ministry of Employment and Labour Relations (GH¢208 million), National Commission for Civic Education (GH¢61 million), Ministry of Youth and Sports (GH¢40 million), Ministry of Chieftaincy and Religious Affairs (GH¢35 million), National Labour Commission (GH¢6 million).

Ministry of Education (“MoE”)

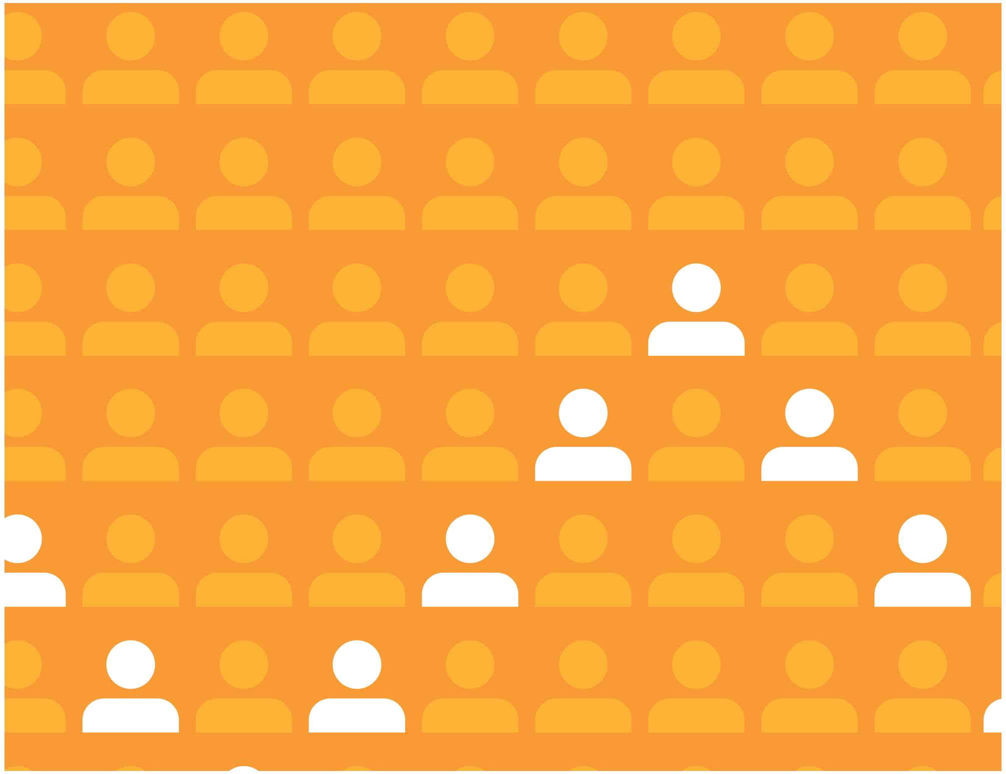
Key Government initiatives under this Ministry include:

- Continue the implementation of the Free Senior High School (“SHS”) policy and fund the ongoing construction of 962 structures to accommodate increased enrolment.
- Develop, print and supply teaching and learning materials (“TLMs”) for the revised curriculum.
- Facilitate the implementation of the new curriculum in all 46 Colleges of Education in affiliation with five universities.
- Design a training programme in School Leadership Management for heads of all basic and second cycle institutions to enhance management of education service delivery.
- Train 9,000 basic school teachers in the delivery of Science, Technology, Engineering and Mathematics (“STEM”) and equip 4,400 basic schools with STEM equipment.
- Commence the construction of 20 STEM Centres across the country.
- Complete set-up of Common Admissions Platform (“CAPS”), test-run and deploy for use.
- Oversee implementation of African Centres of Excellence Programme.
- Work with the Ministries of Gender and Social Protection and Health to implement the Early Childhood Education (“ECE”) policy nationwide.
- Implement the Ghana Accountability for Learning Outcomes Project (“GALOP”) to improve the quality of education in low performing basic schools.
- Carry out the National Digital Literacy Project targeted at teachers and learners in all primary schools to make it possible for them to access digital technology and communication tools for learning.

The Ministry of Education’s 2020 budget allocation of GH¢13,430 million has increased by 4% compared to GH¢12,878 million in 2019. The increase is mainly due to funding of construction of 962 structures to accommodate the increased enrolment as a result of free SHS and the construction of 20 STEM Centres across the country. Also, Development Partners’ (“DPs”) budgetary support to the Ministry is expected to increase significantly from GH¢299 million in 2019 to a projected GH¢911 million in 2020, representing an increase of 204%.

Ministry of Education (Cont'd)

The planned initiatives show Government's commitment to ensuring successful implementation of the Free SHS policy. Continuous investment in infrastructure is key to accommodating the increased enrolment in order to phase out the double track system. Also, the reinstatement of teacher trainee allowances is expected to increase enrolment at teacher training colleges, thereby increasing the number of trained teachers to support the increased student enrolment at the secondary level.



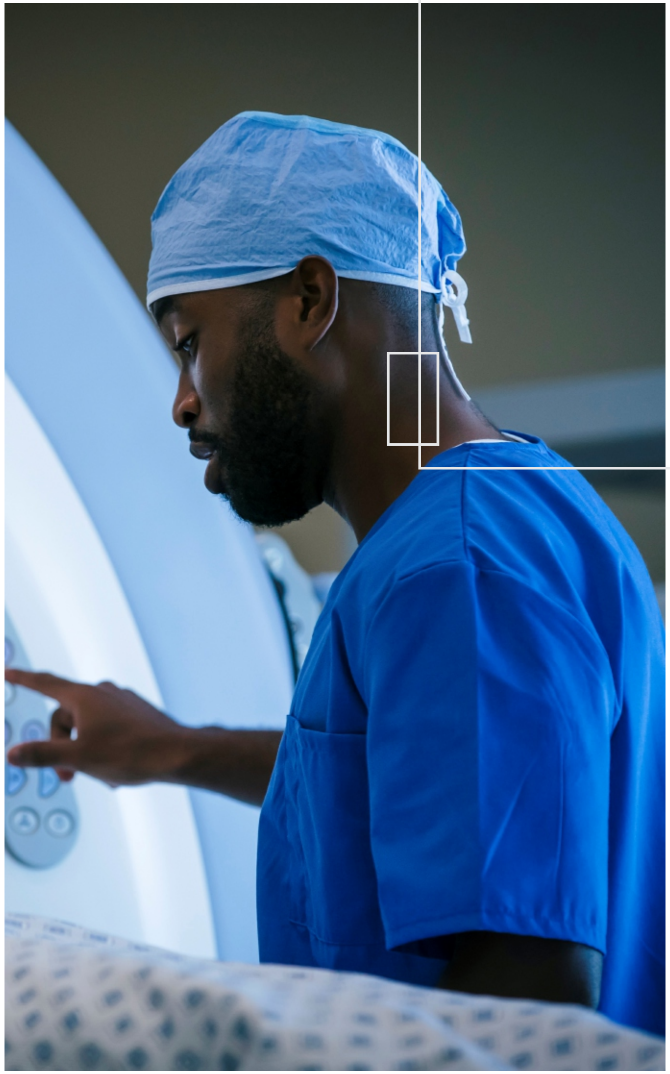
Ministry of Health ("MoH")

Key initiatives include the following:

- Pursue the health sector decentralisation agenda and review the Ghana Health Service Act 1996 (Act 525).
- Continue to roll out the e-health programme to all teaching, regional, district and psychiatric hospitals as well as polyclinics to improve health care delivery to ensure paperless transactions in all public health facilities.
- Develop a geriatric policy in consultation with the Ministry of Gender, Children and Social Protection and also engage relevant stakeholders on the development of appropriate protocols for implementation.
- Launch and implement the National Action Plan for Health Security and put in place the institutional framework for the Ghana Centre for Disease Control to address public health emergencies.
- Roll out the drone project nationwide to ensure that essential service such as blood and medical products delivery are extended to deprived areas of the country.
- Construct a number of facilities, including the University of Ghana Teaching Hospital (Phase II), the Maternity Block at Korle-Bu Teaching Hospital and other health facilities across the country.

The budget for the Ministry increased by 12% from GH¢6,038 million in 2019 to GH¢6,749 million in 2020. However, Development Partners' ("DPs") budgetary support to the Ministry is expected to decrease significantly from GH¢796 million in 2019 to a projected GH¢413 million in 2020, representing a decrease of 48%.

The construction of new health facilities across the country and the intended nationwide roll out of drone technology to deliver critical medical products is expected to increase access to health care. Sustained access to health care will contribute towards the attainment of the United Nations' Sustainable Development Goal 3 (Ensure healthy lives and promote well-being for all at all ages by 2030). However, the attainment of this goal will depend on the government's ability to ensure continued investment in the health sector.

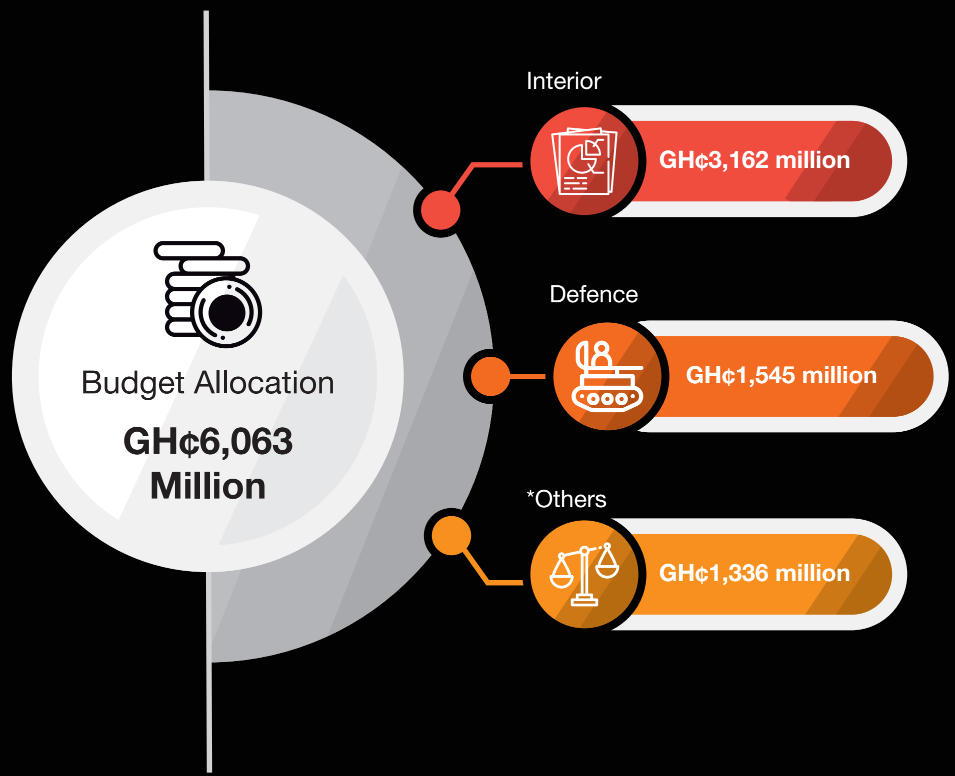


Others

Other key social sector initiatives are as follows:

- Operationalise the Ghana Child Labour Monitoring System (GCLMS) to support the implementation of specific programmes for the elimination of child labour.
- Complete the revamping of seven selected District Labour Offices.
- Commence the dissemination and implementation of the revised National Youth Policy and its Action Plan.
- Commence the implementation of the “50 Million Women Speak Platform” (50MWSP) to help Ghanaian women entrepreneurs grow.
- Establish a functioning Child Protection and Social Welfare Information Management System to ease case management, referral and monitoring.

PUBLIC SAFETY – KEY MINISTRIES



*Others include: Ministry of National Security (GH¢634 million), Judicial Service (GH¢357 million), Ministry of Justice and Attorney General's Department (GH¢136 million), CHRAJ (GH¢41 million), Office of the Special Prosecutor (GH¢188 million)

Ministry of Interior

In 2020, the Ministry's key initiatives include:

- Organise capacity building and sensitisation programmes for Peace Actors to play an effective role towards the 2020 elections.
- Complement passage of the Vigilantism Law and related Act 999 by agreeing on roadmap and code of conduct brokered by National Peace Council in engaging with political parties and relevant stakeholders.
- Mark weapons of the Ghana Police Service, take stock of arms, collect and destroy seized illicit arms and educate public on dangers of armed violence.
- National Disaster Management Organisation ("NADMO") will undertake cleaning and dredging exercises to prevent and mitigate floods as well as strengthen early warning and response mechanisms.
- Facilitate the passage of the Narcotics Control Commission Bill, conduct export profiling, airports and seaports interdiction and precursor field monitoring.

The Ministry's allocation has increased by 31% from GH¢2,409 million in 2019 to GH¢3,162 million in 2020. This increment is mainly due to compensation of employees, representing 93% of its allocated budget.

Government's efforts to deal with the proliferation of illicit arms is highly desirable as this will contribute to ensuring peaceful elections if given the due attention. However, Government must work together with other Governments in the ECOWAS subregion since most of these arms flow from other countries and enter Ghana through our borders. Government should view this as a regional problem that require collaboration between governments. Also, Government should deal with unlicensed arms manufacturers to reduce the rapid increase in the number of illicit arms.

Others

Key initiatives by the other Ministries include:

- Establish a Forward Operating Base ("FOB") in the Western Region to protect oil and gas reserves and other natural resources.
- Complete the construction of and commission 500 bed Military Hospital at Afari (near Kumasi).
- Conduct and publish research on implication of the current policy in accessing professional legal education and hold a stakeholder workshop on the findings.
- Pass into law new legislations such as Consumer Protection Bill and Free Zones Amendment Bill.
- Develop mechanisms for dealing with political party and election corruption using the Office of the Special Prosecutor.
- Set up a system that guarantees whistle-blower identity confidentiality, provides witness protection and receives anonymous complaints.
- Partner with National Development Planning Commission ("NDPC") and other stakeholders to implement the Sustainable Development Goals ("SDGs") and open new Commission on Human Rights and Administrative Justice ("CHRAJ") regional offices in the six newly created regions.
- Undertake public education activities, investigate cases on human rights, administrative justice and corruption and breaches of code of conduct for public officers.
- Extend the paperless court system and e-justice to 20 courts across the nation.

Appendix and glossary

5

Appendix 1

Summary of Central Government Revenue 2019 - 2020

Government Revenue Millions of Ghana Cedis	2019 Budget	2019 Revised Budget (A)	2019 Projected Outturn (B)	2020 Budget (C)	Variance (F=C-A)	Variance (G=B-A)
TAX REVENUE	**45,270.98**	**45,639.40**	**42,381.19**	**49,247.70**	**3,608.30**	**-3,258.21**
TAXES ON INCOME & PROPERTY	**22,185.22**	**22,674.41**	**22,162.69**	**26,603.39**	**3,928.98**	**-511.72**
Personal	7,586.46	7,544.15	7,182.00	8,312.38	768.23	-362.15
Self Employed	479.87	440.97	418.44	481.39	40.42	-22.53
Companies	9,355.35	10,071.71	10,109.38	11,169.95	1,098.24	37.67
Company Taxes on Oil	1,254.23	1,363.67	1,363.67	2,812.09	1,448.42	0.00
Others	3,509.31	3,253.92	3,089.20	3,827.58	573.66	-164.72
Other Direct Taxes	2,602.16	2,393.72	2,330.48	2,851.24	457.52	-63.24
o/w Royalties from Oil	1,141.18	1,177.76	1,177.76	1,449.85	272.09	0.00
o/w Mineral Royalties	1,027.21	803.96	842.12	1,052.21	248.25	38.16
National Fiscal Stabilisation Levy	339.54	290.90	273.21	420.11	129.21	-17.69
Airport Tax	567.61	569.30	485.51	556.23	-13.07	-83.79
TAXES ON DOMESTIC GOODS AND SERVICES	**18,239.66**	**18,639.90**	**17,599.54**	**19,102.34**	**462.44**	**-1,040.36**
Excises	**4,102.16**	**4,232.89**	**4,094.34**	**4,488.87**	**255.98**	**-138.55**
Excise Duty	632.20	554.57	369.80	425.42	-129.15	-184.77
Petroleum Tax	3,469.96	3,678.31	3,724.54	4,063.45	385.14	46.23
o/w Energy Fund Levy	35.73	40.35	44.90	41.49	1.14	4.55
o/w Road Fund Levy	1,514.24	1,599.72	1,687.18	1,659.52	59.80	87.46
VAT	**9,923.59**	**9,916.12**	**9,298.70**	**10,158.30**	**242.18**	**-617.42**
Domestic	4,894.03	5,176.81	5,234.65	6,022.09	845.28	57.84
External	5,029.56	4,739.31	4,064.05	4,136.21	-603.10	-675.26
National Health Insurance Levy (NHIL)	**1,895.10**	**1,983.22**	**1,830.63**	**2,009.31**	**26.09**	**-152.59**
Customs Collection	959.56	947.86	770.20	806.91	-140.95	-177.66
Domestic Collection	935.54	1,035.36	1,060.43	1,202.40	167.04	25.07
GETFund Levy	**1,895.10**	**1,983.22**	**1,872.20**	**2,009.31**	**26.09**	**-111.02**
Customs Collection	959.56	947.86	811.76	806.91	-140.95	-136.10
Domestic Collection	935.54	1,035.36	1,060.44	1,202.40	167.04	25.08
Communication Service Tax	**423.71**	**524.45**	**503.67**	**436.54**	**-87.91**	**-20.78**
TAXES ON INTERNATIONAL TRADE	**7,417.79**	**6,355.89**	**5,136.38**	**5,810.16**	**-545.73**	**-1,219.51**
Imports	**7,417.79**	**6,355.89**	**5,136.38**	**5,810.16**	**-545.73**	**-1,219.51**
Import Duty	7,417.79	6,355.89	5,136.38	5,810.16	-545.73	-1,219.51
Exports	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
o/w Cocoa	0.00	0.00	0.00	0.00	0.00	0.00

Tax Refund	**-2,572.49**	**-2,030.79**	**-2,517.43**	**-2,268.19**	**-237.40**	**-486.64**
SOCIAL CONTRIBUTIONS	**485.91**	**494.17**	**495.01**	**572.94**	**78.77**	**0.84**
SSNIT Contributions to NHIL	485.91	494.17	495.01	572.94	78.77	0.84
NON-TAX REVENUE	**9,570.34**	**9,021.65**	**8,876.19**	**13,134.34**	**4,112.69**	**-145.46**
Retention	4,426.57	4,326.71	4,326.71	4,990.17	663.46	0.00
Lodgement	5,143.77	4,694.93	4,549.48	8,144.17	3,449.24	-145.45
Fees & Charges	674.23	624.21	624.21	1,087.86	463.65	0.00
Dividend/Interest & Profits (Others)	85.07	85.07	85.07	290.94	205.87	0.00
Dividend/Interest & Profits from Oil	3,028.46	3,127.43	3,127.43	4,661.19	1,533.76	0.00
Surface Rentals from Oil/PHF Interest	5.69	5.89	5.89	9.04	3.15	0.00
Gas Receipts	0.00	0.00	0.00	0.00	0.00	0.00
Taxes on Property	150.00	0.00	0.00	0.00	0.00	0.00
Licences	0.00	520.00	616.86	548.80	28.80	96.86
Environmental Levy	598.13	0.00	0.00	0.00	0.00	0.00
Other Income	0.00	0.00	0.00	1,372.00	1,372.00	0.00
Fees from Mineral Export	320.00	160.00	0.00	0.00	-160.00	-160.00
Luxury Vehicle Levy	0.00	52.33	0.00	0.00	-52.33	-52.33
Yield from Capping Policy	282.20	120.00	90.00	174.34	54.34	-30.00
OTHER REVENUE	**2,468.56**	**2,631.45**	**1,979.49**	**2,876.13**	**244.68**	**-651.96**
ESLA Proceeds	2,468.56	2,631.45	1,979.49	2,876.13	244.68	-651.96
Energy Debt Recovery Levy	1,609.99	1,710.67	1,658.87	1,874.49	163.82	-51.80
Public Lighting Levy	247.66	247.66	86.46	260.04	12.38	-161.20
National Electrification Scheme Levy	160.25	160.25	61.00	168.26	8.01	-99.25
Price Stabilisation & Recovery Levy	450.65	512.86	173.16	573.33	60.47	-339.70
DOMESTIC REVENUE	**57,794.99**	**57,786.66**	**53,731.88**	**65,831.11**	**8,044.45**	**-4,054.78**
GRANTS	**1,109.87**	**1,109.87**	**833.17**	**1,240.05**	**130.18**	**-276.70**
Project Grants	1,052.15	1,052.15	775.45	1,139.10	86.95	-276.70
Programme Grants	57.72	57.72	57.72	100.95	43.23	0.00
TOTAL REVENUE & GRANTS	**58,904.86**	**58,896.53**	**54,565.05**	**67,071.16**	**8,174.63**	**-4,331.48**

Appendix 2

Summary of Central Government Expenditure 2019 - 2020

EXPENDITURE	2019 Budget	2019 Revised Budget (A)	2019 Projected Outturn (B)	2020 Budget (C)	Variance (F=C-A)	Variance (G=B-A)
Compensation of Employees	**22,837.99**	**22,837.99**	**22,453.89**	**26,565.15**	**3,727.16**	**384.10**
Wages and Salaries	19,436.59	19,766.88	19,800.20	22,917.54	3,150.66	33.32
Social Contributions	3,401.40	3,071.11	2,653.69	3,647.61	576.50	-417.42
Pensions	1,243.94	1,063.42	9,594.36	1,103.76	40.34	8,530.94
Gratuities	388.73	238.96	1,668.46	458.35	219.39	1,429.50
Social Security	1,768.73	1,768.73	1,527.41	2,085.50	316.77	-241.32
Use of Goods and Services	**6,333.41**	**6,938.42**	**6,925.76**	**8,330.83**	**1,392.41**	**-12.66**
o/w ABFA	723.05	748.93	748.93	1,300.86	551.93	0.00
Interest Payments	**18,645.70**	**19,598.37**	**19,595.11**	**21,691.48**	**2,093.11**	**-3.26**
Domestic	14,504.88	15,024.77	15,163.45	16,557.62	1,532.85	138.68
External (Due)	4,140.82	4,573.60	4,431.66	5,133.86	560.26	-141.94
Subsidies	**180.26**	**180.26**	**180.26**	**229.33**	**49.07**	**0.00**
Subsidies to Utility Companies	0.00	0.00	0.00	0.00	0.00	0.00
Subsidies on Petroleum Products	180.26	180.26	180.26	229.33	49.07	0.00
Grants to Other Government Units	**13,798.47**	**14,034.25**	**13,071.05**	**15,635.17**	**1,600.92**	**-963.20**
National Health Fund (NHF)	1,692.68	1,724.95	1,492.42	2,191.62	466.67	-232.53
Education trust Fund	1,206.76	1,230.77	1,122.33	1,228.04	-2.73	-108.44
Road Fund	964.24	1,104.05	1,011.41	1,014.26	-89.79	-92.64
Petroleum Related Funds	22.75	25.04	26.92	25.36	0.32	1.88
Dist. Ass. Common Fund	2,079.43	2,090.25	1,710.13	2,312.71	222.46	-380.12
Retention of Internally Generated Funds (IGFs)	4,426.57	4,326.71	4,326.71	4,990.17	663.46	0.00
Transfer to GNPC from Oil revenue	1,264.95	1,308.48	1,263.94	1,673.16	364.68	-44.54
Other Earmarked Funds	2,141.09	2,223.99	2,117.19	2,199.85	-24.14	-106.80
Social Benefits	**95.62**	**130.08**	**130.08**	**150.08**	**20.00**	**0.00**
Lifeline Consumers of Electricity	95.62	130.08	130.08	150.08	20.00	0.00
Transfers for Social Protection	0.00	0.00	0.00	0.00	0.00	0.00
Other Expenditure	**2,288.30**	**2,451.19**	**1,799.23**	**2,646.80**	**195.61**	**-651.96**
ESLA Transfers	2,288.30	2,451.19	1,799.23	2,646.80	195.61	-651.96
Capital expenditure	**8,531.02**	**7,711.15**	**6,034.45**	**9,260.04**	**1,548.89**	**-1,676.70**
Domestic Financed	**3,222.21**	**3,617.21**	**2,217.21**	**3,775.54**	**158.33**	**-1,400.00**
o/w GIIF	0.00	0.00	0.00	0	0.00	0.00
o/w ABFA	1,265.34	1,747.50	1,747.50	3,035.33	1,287.83	0.00
Foreign financed	**5,308.81**	**4,093.94**	**3,817.24**	**5,484.50**	**1,390.56**	**-276.70**
Other Outstanding Expenditure Claims	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL EXPENDITURE	**72,710.77**	**73,881.71**	**70,189.83**	**84,508.86**	**10,627.15**	**-3,691.88**
APPROPRIATION	**78,771.84**	**85,142.19**	85,142.19	**98,036.69**	**12,894.50**	**0.00**
Total Expenditure	72,710.77	73,881.71	73,881.71	84,508.86	10,627.15	0.00
Arrears (net change)	730.00	730.00	730.00	1,443.23	713.23	0.00
Amortisation	5,331.07	10,530.48	10,530.48	12,084.60	1,554.12	0.00

Glossary

No.	Abbreviation	Meaning
1	1D1F	One -District-One-Factory
2	50MWSP	50 Million Women Speak Platform
3	ABFA	Annual Budget Funding Amount
4	ADR	Alternate Dispute Resolution
5	AfCFTA	African Continental Free Trade Area
6	AMIS	Audit Management Information System
7	BEPS	Base Erosion and Profit Shifting
8	BoG	Bank of Ghana
9	BRC	Business Resource Centres
10	CAPS	Common Admissions Platform
11	CbCR	Country by Country Reporting
12	CHRAJ	Commission on Human Rights and Administrative Justice
13	CPI	Consumer Price Index
14	CST	Communications Service Tax
15	DPs	Development Partners
16	ECE	Early Childhood Education
17	ECOWAS	Economic Community of West African States
18	ECS	Enterprise Credit Scheme
19	EUR	Euros
20	FDI	Foreign Direct Investment
21	FOB	Forward Operating Base
22	FX	Forex
23	GALOP	Ghana Accountability for Learning Outcomes Project
24	GAMA	Greater Accra Metropolitan Area
25	GAMCORP	Ghana Asset Management Corporation
26	GBP	Great Britain Pound
27	GCLMS	Ghana Child Labour Monitoring System
28	GDP	Gross Domestic Product
29	GETFund	Ghana Education Trust Fund
30	GHS	Ghana New Cedi
31	GIIF	Ghana Infrastructure Investment Fund
32	GIRSAL	Ghana Incentives-based Risk Sharing System for Agricultural Lending
33	GoG	Government of Ghana
34	GPF	Ghana Petroleum Funds
35	GPSNP	Ghana Productive Safety Net Project
36	GRA	Ghana Revenue Authority
37	GRATIS	Ghana Regional Appropriate Technology Industrial Service
38	HA	Hectares
39	ICCO	International Cocoa Organization
40	IGF	Internally Generated Funds
41	IMF	International Monetary Fund
42	ISKVD	Infectious Spleen and Kidney Virus Disease
43	ITA	Income Tax Act, 2015 (Act 896)
44	iTAPs	Integrated Tax Application and Preparation System App
45	Km	Kilometers
46	LIPW	Labour Intensive Public Works
47	LPG	Liquified Petroleum Gas
48	MDAs	Ministries, Departments and Agencies
49	MLGRD	Ministry of Local Government and Rural Development
50	MMDCE	Metropolitan, Municipal and District Chief Executives
51	MMT	Metro Mass Transit Limited
52	MoE	Ministry of Education
53	MoEn	Ministry of Energy
54	MoF	Ministry of Finance
55	MoFA	Ministry of Food and Agriculture
56	MoH	Ministry of Health
57	MoTI	Ministry of Trade and Industry
58	MPSA	Master Project Support Agreement
59	MT	Metric Tonnes
60	NACOB	Narcotics Control Board
61	NADMO	National Disaster Management Organisation
62	NDB	National Development Bank
63	NDPC	National Development Planning Commission
64	NFA	Net Foreign Assets
65	NFSL	National Fiscal Stabilisation Levy
66	NHIL	National Health Insurance Levy
67	NIA	National Identification Authority
68	NPSRS	National Public Sector Reform Strategy
69	OGM	Office of Government Machinery
70	PEP	Productivity Enhancement Programme
71	PFJ	Planting for Food and Jobs
72	PIAC	Public Interest and Accountability COmmittee
73	PPP	Public Private Partnerships
74	RAR	Revenue Administration Regulations
75	RTI	Right to Information
76	SDGs	Sustainable Development Goals
77	SEC	Securities and Exchange Commission
78	SHS	Senior High School
79	SIGA	State Interests and Governance Authority
80	SIL	Special Import Levy
81	SME	Small and Medium Enterprise
82	STEM	Science, Technology, Engineering and Mathematics
83	T-Bill	Treasury Bills
84	TLMs	Teaching and Learning Materials
85	TPR	Transfer Pricing Regulations
86	US$	United States Dollars
87	VAT	Value Added Tax
88	VDR	Voluntary Disclosure Procedures
89	WEO	World Economic Outlook
90	YoY	Year on Year

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