PwC 2024 Budget Digest

Pursuing growth and development within a stable macroeconomic environment

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Content

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Commentary

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Our overall perspective on the 2024 budget

When the Minister for Finance, Honourable Ken Ofori-Atta presented a summary of the 2024 Budget Statement and Economic Policy to Parliament on 15 November 2023, he repeatedly made the assertion that "we [have] turned the corner". He cited robust real GDP growth, strong disinflation and remarkable currency stability within the first three quarters of 2023 as evidence of having turned the corner. He also pointed to the recent credit rating upgrade by Fitch Ratings[1] as well as the profits reported by the banking industry. He provided some details to underscore his point:

- Real GDP growth is reported as having averaged a robust 3.2% over the first two quarters, i.e. January to June 2023. During his presentation on 31 July 2023 of the mid-year review of the 2023 budget, the Hon. Minister had forecast a very conservative annual growth of 1.5% for the year.
- Headline inflation has sustained a remarkable decline, sliding 1,890 basis point (bps) from 54.1% to 35.2% over a period of ten months and bringing it to within 3.9% of the 2023 end-of-year target of 31.3%.
- The Ghana Cedi (GH¢) has been relatively stable against convertible currencies compared to the experience of the previous year. The Minister reported that the Ghana Cedi shed—from February 2023 cumulatively—6.4% of its value relative to the US dollar. In comparison, the Ghana Cedi depreciated by 53.9% over the same period in 2022.

At PwC, we accept that we might be turning the corner. However, it is our view that we are still quite some distance from the finish line. The next lap could be the hardest section yet to run. The 2024 budget contains some socio-economic development programmes (e.g. planned new investments into the Planting for Food and Jobs Phase II (PFJ 2.0[2]), which if implemented properly could deliver desired results, e.g. stronger, more competitive local businesses in selected critical agricultural value chains, jobs, and reduced import bill. However, 2024 being an election year, there are significant threats to disciplined budgetary execution that Government would have to face off to stay on track to achieve the broad medium-term targets of recovery, stability, and growth.

Our advice to Government (for instance, in the PFJ 2.0 example mentioned above) is to adopt sound project selection and implementation approaches that will lead to producing commercial-scale models/ pilots that would serve as effective anchors for driving the sector-wide transformation envisaged for the priority sectors listed in the medium-term growth strategy. Specifically, we urge Government to avoid the temptation to be overly generous in its application of "social protection and poverty reduction principles" during the 14-month first phase of the five-year Growth Strategy. Such social protection principles are likely to have populist appeal but would simply dissipate scarce financial resources in arrangements where project beneficiaries consider them as "handouts" and do not have sufficient incentive to generate results that could be self-sustaining and eventually grow to support an ever increasing number of beneficiaries.

Arguably, the 2024 Budget contains some ambitious targets—e.g. the total revenue and grants target of GH¢176.4 billion (16.8% of an approximately GH¢1 trillion GDP economy) and a primary balance (on commitment basis) of 0.5% of GDP sound steep! Despite being ambitious, we believe the 2024 Budget contains tangible promise. But to realise that promise, Government needs to be innovative, have discipline, consult widely and sincerely, and be transparent and accountable in its dealings with its stakeholders. The Public Financial Management (PFM) reforms will be a critical piece in the efforts to achieve such effectiveness in budget execution. We encourage Government to implement these reforms "full-spec" and are happy to contribute our knowledge and experience in this area in support of the Ministry as it seeks to properly execute the PFM reforms agenda fully.

[1] On 1 November 2023, Fitch Ratings upgraded Ghana's Long-Term Local-Currency Issuer Default Rating (IDR) to CCC from RD. Fitch also affirmed Ghana's Long-Term Foreign-Currency IDR at RD and the Country Ceiling at B- (https://www.fitchratings.com/site/pr/10251462)

[2] Planting for Food and Jobs, Phase 2 (i.e. PFJ 2.0) was introduced following Government's review of the first phase of the Planting for Food and Jobs (PFJ) programme in April 2023.

A good macroeconomic recovery in 2023, but at considerable cost?

The lively mood of the Minister on 15 November 2023 as he presented the performance of the economy over the nine-month period to Q3, 2023 contrasted starkly to his rather sombre demeanour when he presented the mid-year review of the 2023 budget in July 2023. Provisional data available to the Minister now suggests that real GDP grew at an average of 3.2% in the first half of 2023. This has encouraged the Minister to revise the 2023 real GDP growth forecast to 2.3%, up from the 1.5% that he presented during the mid-year review. Below, we have listed, in summary form, some of the other macroeconomic performance outcomes presented by the Hon. Minister to illustrate the positive outturn in the first nine months of the year:

- An economy firmly on a disinflationary trajectory: headline inflation has dropped almost 1900 basis points from 54.1% to 35.2%.
- A stable currency owed to restoration of economic activity, significantly improved current account position and forex liquidity on the back of IMF largesse, and a rebound of investor confidence.
- Improved central bank gross international reserve position.
- Good progress in fiscal consolidation resulting in better contained fiscal and budgetary balances.
- Considerable improvements in the public debt position through successful debt treatment exercises leading to a fall in the public debt/ GDP ratio from 73.1% (end of 2022) to 66.4% (September 2023).

Our thoughts? This all seems good. But we need to accept that it has come at considerable cost to households and businesses. Further, the reported gains are due mostly to interventions that are only skin-deep at present, e.g. the debt standstill has saved us from making significant interest payments in debt service, which has spared the Ghana Cedi a significant amount of pressure. If negotiations with external creditors/ debt holders are not concluded expeditiously, the investor community and financial markets might get jittery, and the international ratings agencies may thrust our bonds ratings further into junk credit territory. Additionally, a more critical look at the microeconomic picture beyond the shiny macroeconomic data reveals less glamorous images.

For instance, the Minister references a banking industry that has reported after-tax profits of GH¢6.2 billion, representing 43.8% growth. The question that begs an answer is “at what cost?” The Bank of Ghana’s Monetary Policy Committee (MPC) in their 25 September 2023 report observed that the annual growth rate of private sector credit over the 12-month period up to August 2023 was 10.7% compared to 35.8% over the 2021/2022 equivalent period. In real terms, private sector credit contracted by 21% compared to a growth of 1.4% in the equivalent comparable prior period. Additionally, the industry’s non-performing loans (NPL) ratio rose from 14% (August 2022) to 20% (August 2023). This reflects the poor performance of the real sector and the increased risk aversion of banks for the real sectors of the economy. The risk to Government’s macroeconomic growth targets, in our current high interest rate environment (fuelled by Government’s large appetite for borrowing from the short end of the money market) is obvious, as the earning power of the taxable base—businesses and individuals/ households—will be weakened.

The 2024 Budget—pushing the Ghanaian economy across the GH¢1 trillion mark

The Hon. Minister for Finance stated that the 2024 Budget, which has been prepared in line with the objectives and policy priorities of the three-year IMF-supported Post Covid 19 Programme for Economic Growth ("PC-PEG") is "even more significant because [it will make us] cross the GH¢1 trillion GDP mark". He noted that "through the 2024 budget, we will deliver even more investment across the real sector to place our economy on a firm growth trajectory that will create more jobs, safeguard our climate prospects, and deeply entrench Ghana as the seed country for Africa's development renaissance." Earlier, the Minister had observed that "reliable energy supply, a stable Ghana Cedi, lower inflation, low interest rate regimes, access to private sector credit, infrastructure, food security, national security, and intercontinental market linkages (enabled through platforms, such as AfCFTA)" are among the legacies the Government aims to bequeath to Ghanaians.

Distilling these ambitions quantitatively, the Minister listed the following macroeconomic targets for the 2024 fiscal year:

- A minimum of 2.8% overall real GDP growth.
- At least 2.1% of non-oil real GDP growth.
- 15% period-end inflation.
- A primary balance surplus (on commitment basis) amounting to 0.5% of GDP.
- Gross international reserves equivalent to three or more months of import cover.

For the 2024 fiscal year, Government plans to mobilise GH¢176.4 billion in total revenues and grants (16.8% of GDP) to partly finance expenditure (on commitment basis) projected at GH¢226.7 billion (21.6% of GDP). Overall budget balance to be financed is projected at a deficit of GH¢61.9 billion (i.e. 5.9% of GDP), while the primary balance is projected to be a GH¢5.9 billion deficit (0.6% of GDP).

We understand that the revenue mobilisation strategy would be "underpinned by permanent non-oil revenue measures expected to yield a minimum of 0.9% of GDP". The Minister gave special mention to property rates in Government's revenue mobilisation plans for 2024. He noted that the Ghana Revenue Authority (GRA) has facilitated the introduction of the property rate reform project. "The statistics highlight the impact of this initiative", he observed. "The number of billable properties has seen a substantial increase, with a pre-2023 count of 1.3 million properties escalating to 12.42 million…"

The number of billable properties reported by the Minister gives an indication of the immense size of revenue mobilisation opportunity associated with property rates. In this regard, we are of the view that the Minister might have been conservative in the revenue amount he estimates property rates could generate in 2024. We are confident that if the Ministry and GRA give careful thought to the administration of this revenue handle to maximise collections, it could be a significant game changer for the country in its effort to increase tax revenue/ GDP ratio, allowing the Ministry to reduce or eliminate other taxes.

Metropolitan, Municipal and District Assemblies (MMDAs) are expected to benefit from the property rates collected, but the Minister noted that, currently, there are some challenges related to the timely disbursement of their allocations to them. We believe that this source of revenue could present MMDAs with an important key for delivering socio-economic development to their respective communities. However, without ensuring that MMDAs have adequate capacity for the execution of their operational mandate—e.g. spatial planning, environmental planning and management, basic infrastructure planning, etc.—and for organisational and financial management, it would be counter-effective to provide them with such considerable financial resources in the short term.

We reiterate the position supported, arguably, by a majority, that Government should consider creative ways of roping the informal sector into the revenue mobilisation net. The sector is huge, creates value, most of which escapes the Government's tax dragnet, and makes Government's current taxation policy and administration approach inequitable.

On expenditure, the Minister notes the execution of an arrears clearance and prevention strategy aimed at bringing public finances back to a sustainable path of fiscal consolidation and optimisation. Other elements of the fiscal strategy include alignment of budget allotments with cash flow forecasts, standardised contracts for public works and increased use of technology for procurement through Ghana Electronic Procurement System (GHANEPS)—the Government's e-procurement platform.

The Minister stated—and we can't agree with him more—that Government intends to prevent the accumulation of new arrears. Towards this end, the Minister, in his presentation on the 2024 Budget, outlined a set of measures (being) implemented to enhance commitment controls, and thus avoid arrears accumulation.

2024 is an election year. Typically, in the history of our democracy, incumbent governments have been known to splurge on capital projects during election years to win the favour of the electorate. In the process, they run large budgetary deficits[3] that subsequently inject significant instability into the economy and create pain for businesses and households in subsequent years. It is against this backdrop that we commend Government for taking this bold step now. At the core of these expenditure reforms, is the PFM reforms—this is one structural reform that we urge Government to implement fully.

Key expenditure items we would urge Government to prioritise in its quarterly cash plans include Energy Sector Levies (ESL) transfers and energy sector payment shortfalls to independent power producers (IPPs). This is because assuring the availability of power is crucial for the attainment of most of the macroeconomic growth targets Government has set for itself.

On debt, it is obvious that we are not out of the woods yet. Indeed, there was some discomfort when, following the completion of the IMF first staff review, it was suggested that Ghana must agree debt restructuring plans with its official creditors to secure IMF Executive Board approval for disbursement of the second tranche of USD600 million.

That aside, it is worrying to see Government regularly mopping up liquidity from the banking system through the purchase of considerable volumes of Treasury bills at increasingly high-interest rates. Undeniably, until the international financial market is reopened to the country, Government has virtually no option than to compete with the real sector for financial resources held by the banking industry. Of course, if that persists,

Government's short-term borrowing requirements will rob it of the opportunity to leverage the private (real) sector to achieve its broad macroeconomic targets, as they would be mostly crowded out of the credit market. We exhort Government to accelerate its engagement/ negotiations with all its debt holders and, as soon as possible, secure agreements that bring the country's debt into acceptable sustainability limits relative to GDP[4] —the Minister reported that, following the various rounds of domestic debt restructuring, total debt/GDP had fallen considerably to 66.4% in September 2023.

The Growth Strategy—a vehicle to accelerate investments into strategic sectors

The Hon. Minister stated that the objective of the Growth Strategy is to "reinvigorate industrialisation, agricultural transformation, and value addition, as well as create employment opportunities for our most valuable resource—our growing and increasingly educated youth". The Growth Strategy would have a strategic focus for the following sectors: agriculture, aquaculture, trade and industry, digitalisation and technology, and tourism and sports. We understand that the Growth Strategy, where appropriate, would invest in existing programmes, e.g. Planting for Food and Jobs, Phase 2 (PFJ 2.0), One District, One Factory (1D1F), GhanaCARES, Community Mining, and the Infrastructure for Poverty Eradication Programmes (IPEP).

It is also our understanding that key principles that would be included in the project selection and resource deployment decision-making process would include to attract and/or leverage private sector investment that has a high potential to produce goods and services as well as create jobs. Specifically, in agriculture, some 11 commodities have been selected to focus on. These include poultry, grains, roots and tubers, and vegetables. These have been identified as potentially helping to bridge the domestic demand-domestic supply gap to minimise the pressure on the local currency as importers seek hard currency to procure these commodities.

[3] In a pre-budget reading survey that we ran, more than 85% of respondents noted that it is very unlikely that Government will meet the primary balance target of 0.5% of GDP in 2024.

[4] 73% of respondents noted that it is unlikely that Government will secure binding debt restructuring agreements with its creditors by the end of 2023 to facilitate a smooth execution of the 2024 budget.

In our view, this is a good concept. It is our hope that sufficient due diligence precedes project participant/ beneficiary selection. As we noted earlier in our overall perspective on the 2024 budget, these interventions should be approached with a commercial mindset, not a social protection/ poverty eradication mindset. The latter—especially in an election year—presents the temptation to spread scarce financial resources thinly across several tens of thousands—even hundreds of thousands—beneficiaries, who may not all have the fundamental skills and experience to effectively utilise the funds so distributed. We would also caution that, instead of Government simply investing resources in existing programmes, e.g. PFJ 2.0, it should first seek to establish the impact produced by these earlier programmes. The findings from such impact assessment exercises would help to inform the most judicious use of our scarce financial resources as a country.

Between the Growth Framework and the Economic Enclaves Programme (EEP), Government has conceived a grand plan for developing some critical value chains and growing and scaling up private sector-led businesses in selected sectors, including aquaculture, pharmaceuticals, and textiles. All this looks good on paper. We only reiterate the need for due diligence and the display of sincere, good faith in the implementation of this grand plan, so that the targeted goals are realised.

In conclusion… how can the Hon. Minister carry the average Ghanaian along in executing his budget in 2024?

Ahead of the 2024 budget reading by the Hon. Minister, we ran a brief survey of five questions . We deployed this by email to our clients, across our social media platforms, and as WhatsApp polls among our professional and social networks. The responses to the questions we asked in the survey show that there is deep mistrust of Government—mistrust of its expressed intent, mistrust of its word, mistrust of its competence or capabilities. For instance:

- Less than 30% believed that the Minister's 2024 budget would include the necessary interventions to help the Government deliver on its macroeconomic targets.
- More than 85% of respondents noted that it is very unlikely Government would meet the primary balance target of 0.5% of GDP in 2024, an election year.
- Less than 15% of survey respondents agreed that Government is committed to and would really be able to use the Ghana Mutual Prosperity Dialogue as the platform it professes it to be, and to drive 2024 macroeconomic growth goals.

Without a doubt, the picture is not pretty. And this should not be surprising with the memory of the challenging year of 2022, and the DDEP experience in 2023. What this reveals to us is that the Ministry of Finance can't simply focus on its technical mandate and on executing the IMF-supported PC-PEG. It cannot simply go ahead and execute the budget. It must seek to proactively engage and communicate its plans and actions, and results thereof, in as simple terms as possible. It should be very creative about such communication to be able to reach the masses and for people of various walks of life to understand what it is doing to execute its mandate.

In conclusion, Government must walk its talk, not merely engage in rhetoric. It must do the things it promises and with sincerity too. In our view, the Ghana Mutual Prosperity Dialogue will serve as the acid test for this sincerity. Various stakeholders would be observing closely to see how Government/ the Ministry of Finance would utilise the Dialogue as a resource for economic management.

At PwC, we always stand ready to support Government and the country to achieve our short, medium and long-term development aspirations.

[5] We have included the pre-budget reading survey questions at the end of this publication.

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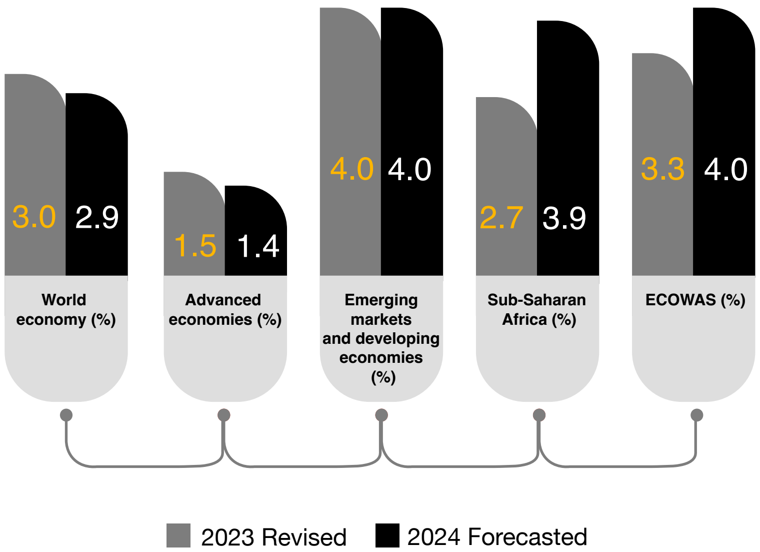
At a glance

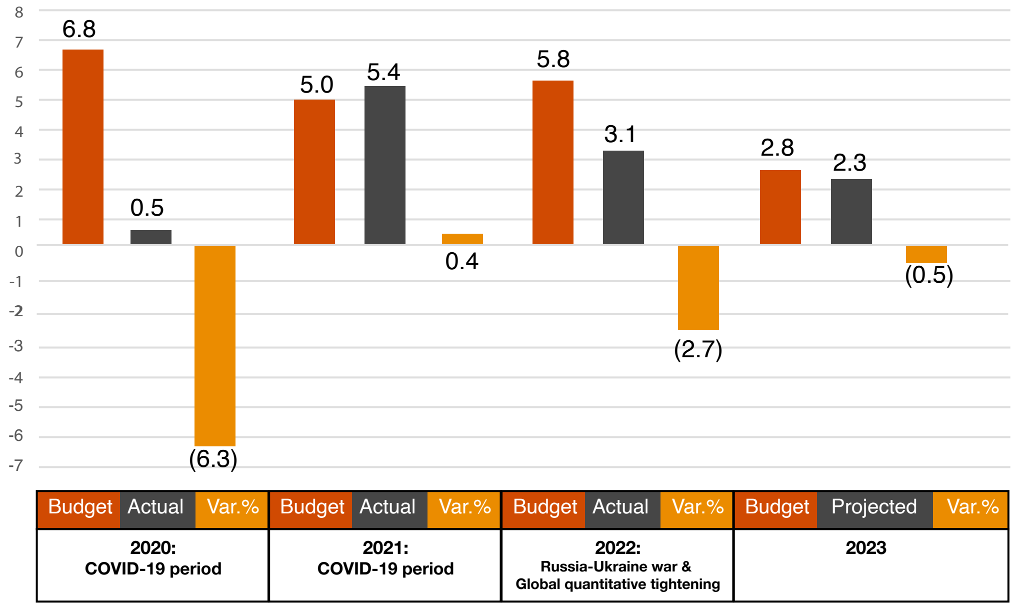
Macroeconomic performance and outlook

Global GDP growth (%)

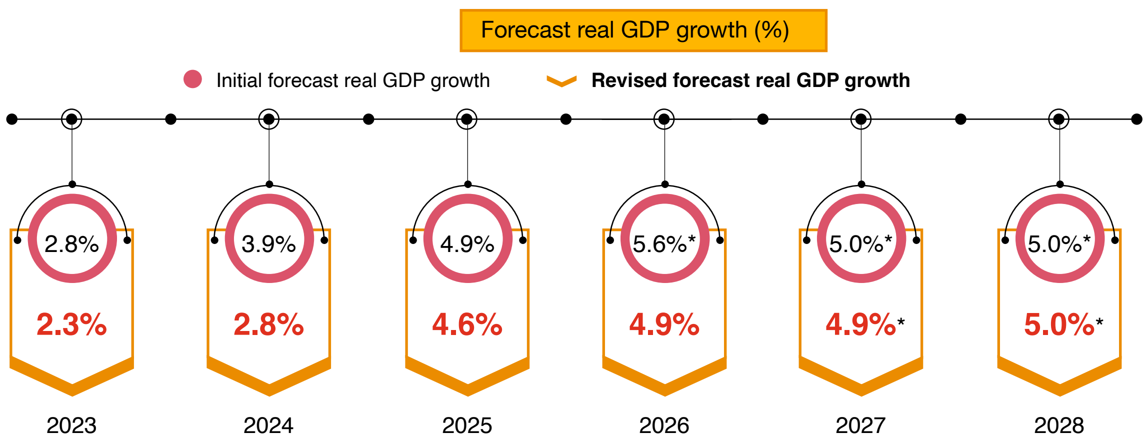


Source: Budget Statement 2024, World Bank and IMF

Domestic real GDP growth (%) - historical



Source: Budget Statement 2024



*IMF forecast
Source: Budget Statement 2024

Macroeconomic performance and outlook

Sectoral growth rates

Sectoral growth rates	2020			2021			2022			2023			2024
	Budget	Actual	Var. (%)	Budget	Actual	Var. (%)	Budget	Actual	Var. (%)	Budget	Actual	Var. (%)	Forecast
Agriculture (%)	5.1	7.3	2.2	4.0	8.4	4.4	5.3	4.2	(1.1)	2.6	3.2	0.6	3.0
Industry (%)	8.6	(2.5)	(11.1)	4.8	(0.5)	(5.3)	6.3	0.9	(5.4)	3.9	(1.2)	(5.1)	3.9
Services (%)	5.8	0.7	(5.1)	5.6	9.4	3.8	5.6	5.5	(0.1)	1.7	4.6	2.9	1.9

Source: Budget Statement 2024, PwC analysis

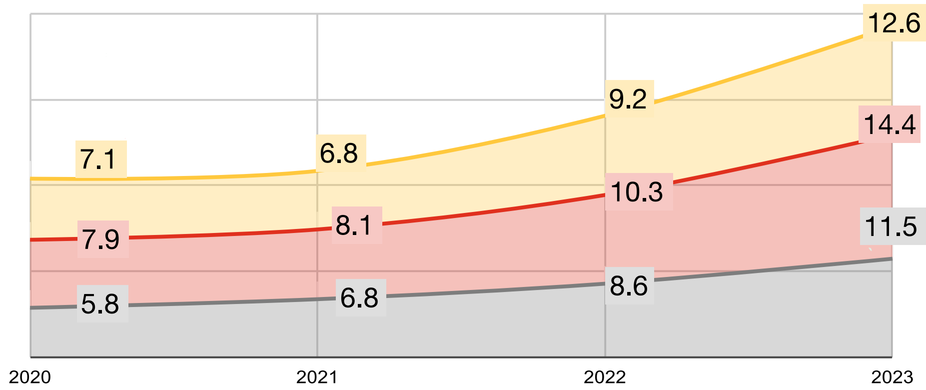
Period-end inflation (%)

	2020	2021	2022	2023	2024
Budget	8.0	8.0	8.0	18.9	
Actual	10.4	12.6	54.1	35.2*	
Var.%	2.4	4.6	46.1	12.4	
Target					15.0

Budget Actual Var.% Target

*Revised target as at Oct 2023
Source: Bank of Ghana economic data & Budget Statement 2024

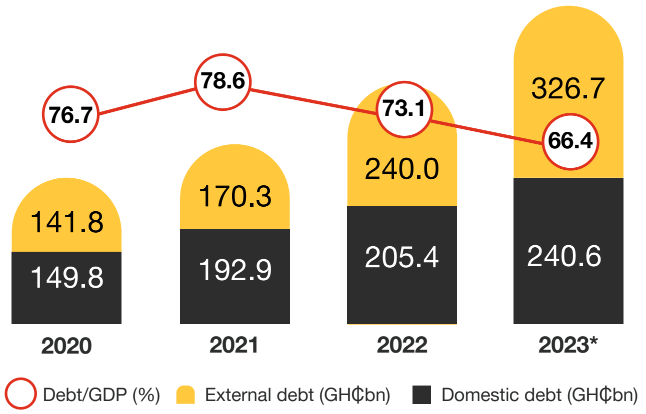
Exchange rate



Source: Bank of Ghana monthly exchange rate indicators

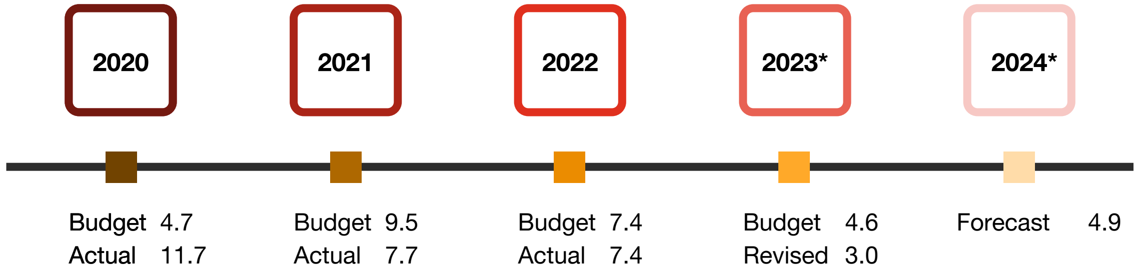
Fiscal and monetary performance

Public debt



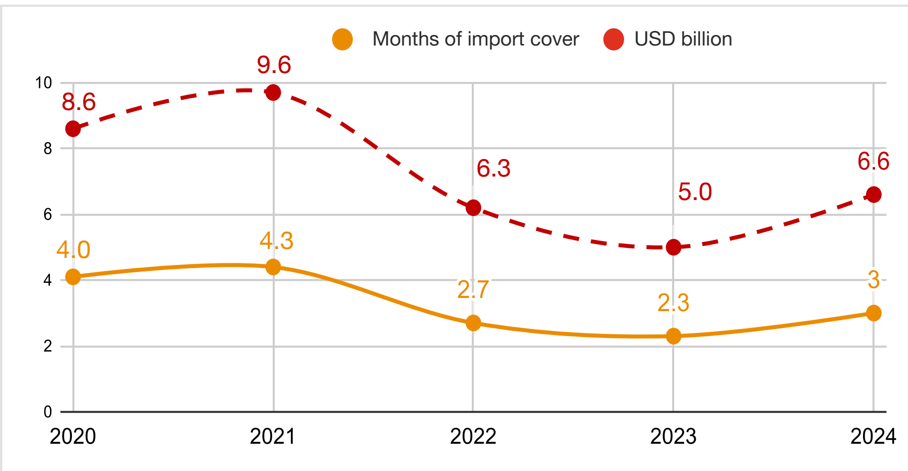
*Data is as at June 2023. Provisional public debt is estimated at GH₵613.6 billion if potential liabilities from SPVs, IPPs-PPAs, and the financial sector are included. This is estimated to be equivalent to 76.6% of GDP.

Fiscal deficit (% of GDP)



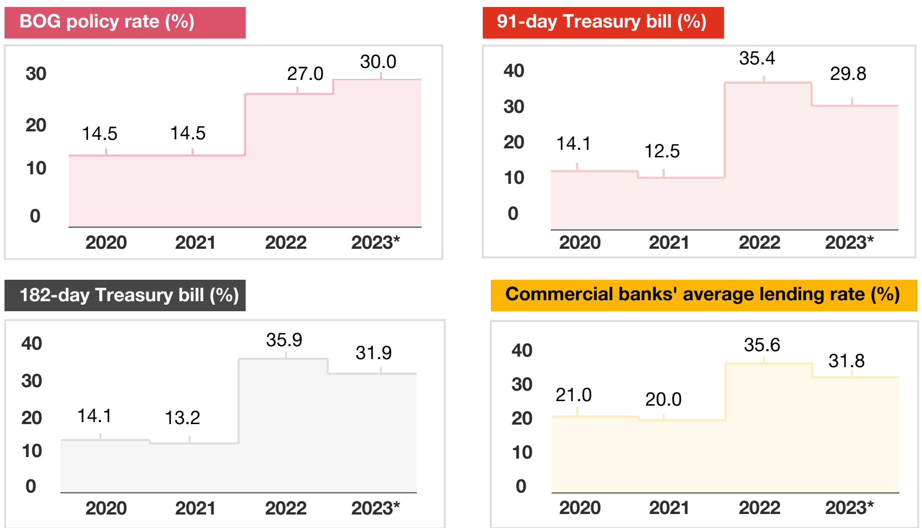
*Fiscal performance data computed on a commitment basis
Source: Budget Statement 2024

Gross International Reserves



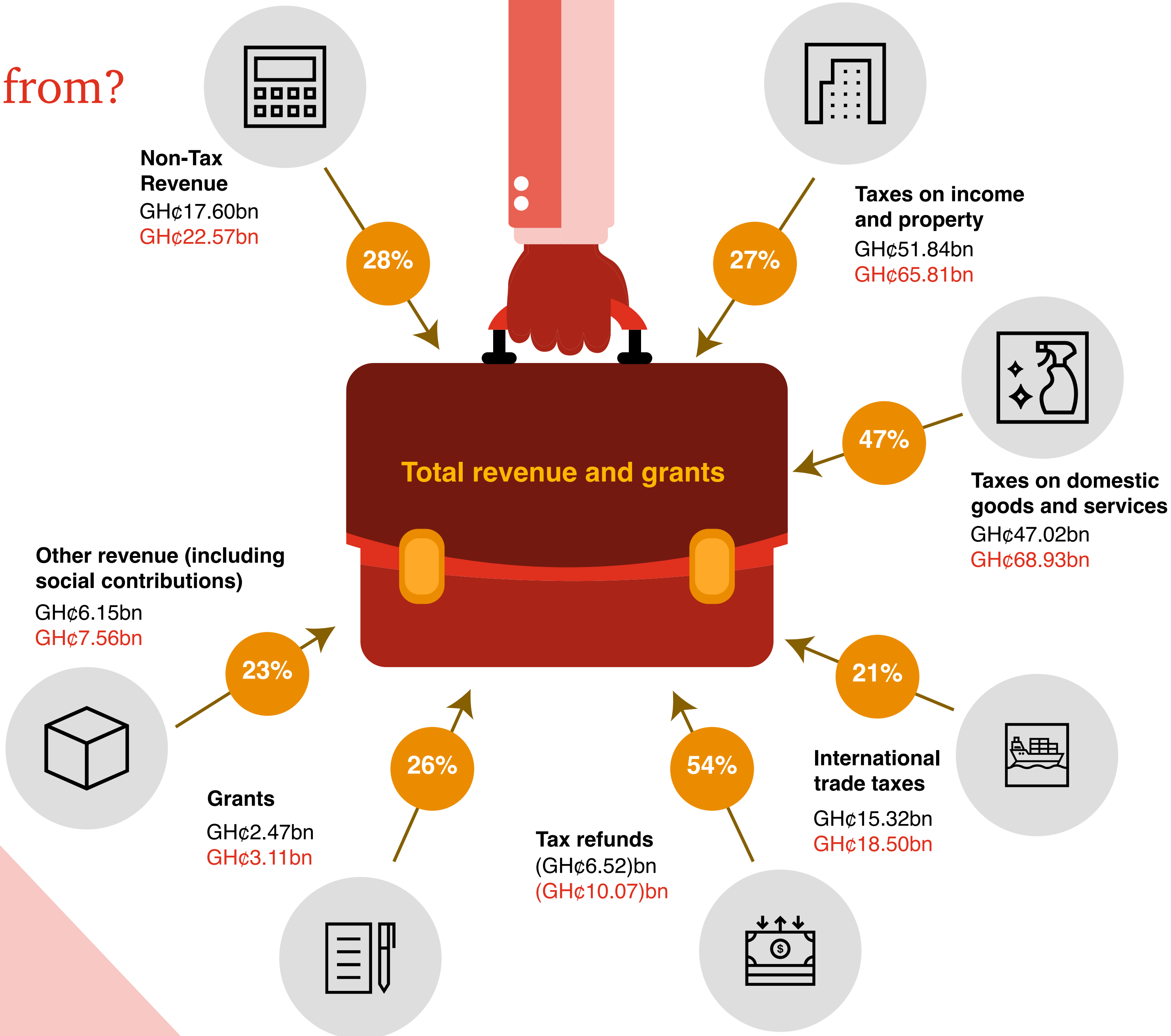
Source: Monetary Policy Committee (MPC) reports

Interest rates



*As at Aug, Oct, Nov 2023
Source: Bank of Ghana monthly interest rates

Where is the money coming from?



Source: 2024 Budget Statement and Economic Policy, PwC analysis

2023 Projected revenue (GH₵)

- **133.88 billion**

2024 Budget (GH₵)

- **176.41 billion**

Total Variance (%)

- **32%**

Where is the money going?

2023 Projected Expenditure
172.96 billion

2024 Budget (GH₵)
226.68 billion

Total Variance (%)
31%

Compensation of employees
GH¢51.21bn
GH¢63.68bn
24%

Goods and services
GH¢11.81bn
GH¢11.07bn
(6%)

Capital expenditure
GH¢18.61bn
GH¢28.72bn
54%

Interest payments
GH¢34.77bn
GH¢55.93bn
61%

Subsidies
GH¢0.21bn
GH¢0.42bn
100%

Grants to other Govt units
GH¢28.87bn
GH¢39.59bn
37%

Social benefits
GH¢0.40bn
GH¢0.87bn
118%

Other expenditure
GH¢27.08bn
GH¢26.40bn
(3%)

Source: 2024 Budget Statement and Economic Policy, PwC analysis

Proposed tax measures

Direct tax measures

GRA's certified invoice will be the basis for all deductible expenses for income tax purposes.

Increase in the tax-free band for individuals to align with the new minimum wage.

Administrative measures

Introduction of the simplified tax return for individuals in the informal sector.

Implement the second phase of the electronic invoicing system (e-VAT).

Sign additional bilateral agreements to boost the exchange of tax relevant information and operationalise the Special Voluntary Disclosure Programme in 2024.

Proposed tax measures

Indirect tax measures

1. Extend the zero-rating of VAT on locally manufactured African prints for two (2) more years.
2. Introduce a VAT flat rate of 5% to replace the 15% standard VAT rate on all commercial properties to simplify administration.
3. Align VAT and Customs legislation to reflect the same VAT status on both imported goods and locally supplied goods.
4. Zero-rate VAT on locally produced sanitary pads.
5. Extend zero rate of VAT on locally assembled vehicles for 2 more years.
6. Waive import duties on import of electric vehicles for public transportation for a period of 8 years.
7. Waive import duties on semi-knocked down and completely knocked down electric vehicles imported by registered EV assembly companies in Ghana for 8 years.
8. Waive import duty on medical consumables and raw materials for the pharmaceutical industry.
9. Grant import duty waivers for raw materials for the local manufacture of sanitary pads.
10. Grant exemptions on the importation of agricultural machinery, equipment and inputs.
11. Expand environmental excise duty to cover plastic packaging, industrial and vehicle emissions.
12. Expand the implementation of Communications Service Tax.
13. Review the excise duty rates on beer.

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Sector reviews

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Mining

Direct taxes

In the 2024 budget, no new direct taxes aimed at the mining industry were proposed. However tax collection continues to be a clear priority for government to fund its fiscal deficits.

The significance of the contribution of mining companies to Government revenue, as well as the recent scrutiny of their operations underscores the need for mining companies to uphold principles of tax transparency and governance. It is essential that they seize the opportunity to tell their story about paying their fair share of tax rather than letting others drive the narrative.

Exploration

As the leading producer of gold in Africa, Ghana stands to benefit from the demand growth in gold and critical minerals.

However, these benefits hinge on addressing the infrastructure bottlenecks, effectively combating illegal mining, and making strategic investments in skills development and creating an enabling environment to attract exploration investments to replace depleting mines. Realising the full potential of the country's mining resources and ensuring it delivers long-term sustainable outcomes for its citizens will depend on government's ability to provide the requisite legislation and support for the sector. These should enable companies to mine cost competitively, incorporate responsible mining practices in their processes and implement profitable integration of the value chain.

Lithium mining

The demand for renewable-energy technologies and electric vehicles has led to the surge in demand for lithium and other critical minerals. The discovery of lithium and graphite in the country presents Ghana with many potential benefits. However, optimising gains in this area would require extensive investment, detailed research, and renewed Government policies. As stated in the Budget, the Minerals Income Investment Fund's acquisition of a 6% contributing interest, in addition to the country's free carried interest of 13% and 10% royalty from its first lithium mine concession reflect the government's strategic approach to maximise benefits from the mineral resource. Going forward, development of the needed infrastructure to support the value chain and partnerships to process and add value to the mineral before export will be vital to ensure the country obtains the full benefits from the resource as additional discoveries are made.

Energy

Electric vehicle incentives

In the coming decade, the number of electric vehicles (EVs) on our roads will likely rise substantially in line with global trends. Currently, there are seven public charging stations in the country, with three more anticipated this year, all located in Accra. Charging infrastructure away from home and workplace will be crucial to support the anticipated EV growth especially when it comes to commercial EVs. “On-the-go” charging infrastructure will also need to mirror the ease and convenience of refueling an internal combustion engine vehicle today. While EVs account for less than 1% of new vehicle registrations in Ghana, the underlying economics of EV ownership are improving and the proposed incentives in the 2024 budget (i.e., removal of import duties on EVs for public transportation and on knocked down EVs imported by registered assembly companies in the country, both for a period of 8 years) is a welcoming intervention.

However, the budget appears to overlook the infrastructure needs vital to achieving the anticipated uptake in usage of EVs as one of the mechanisms towards the country’s net zero ambition. The government should implement mechanisms, such as tax breaks, to incentivise private investment into charging stations. Effective legislation and standards are also needed to guide the industry. Addressing these gaps is essential for a successful transition to widespread EV usage and a consequential reduction in carbon emissions.

Power sector debt

Reducing Government debt to Independent Power Producers (IPPs) is crucial for meeting IMF’s Indicative Target 3 (IT3) and vital in ensuring long-term sustainability of the power sector. While government has shown commitment in this regard with measures such as the cash waterfall mechanism, a national dialogue among stakeholders will be essential to find a sustainable solution to retire the sector’s debt and avoid future debt accumulation.

Site acquisition for Ghana’s Nuclear Power Programme

Considering nuclear power energy for Ghana is promising yet a complex one. It will require a balance between the need for the clean energy on one hand and safety and logistics on the other hand. Ensuring stability in the regulatory framework, delineating roles and responsibilities in the management of nuclear waste, establishing a fair electricity wholesale market, and fostering investor confidence will be essential for the success of the project.

Upstream oil and gas sector

For over four years, the country has struggled to attract new players to the upstream oil and gas sector, despite adopting an open, transparent, and competitive tender process – “open door policy” – in awarding upstream oil and gas licenses. There is a need to invest in cutting-edge technology to gather quality seismic data and reassess the competitiveness of incentives offered to attract investors in the short to medium term and avoid our oil resources being stranded amid the global shift away from fossil fuel. Additionally, certain sector legislation, such as GNPC Act 1983 (PNDC Law 84), is overdue for amendment to align the strategic role of Ghana National Petroleum Corporation with the evolving energy landscape and context.

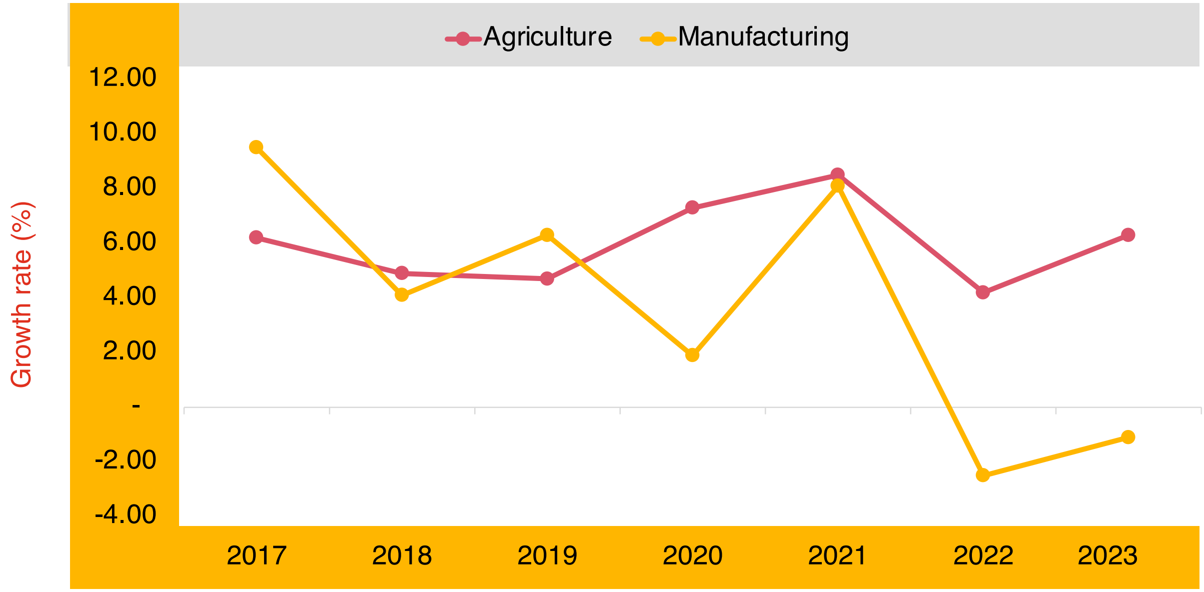
Scale up of Gold-for-Oil (G4O) programme to cover 50% of national petroleum consumption.

Government has attributed the stabilisation of the cedi/dollar exchange rate and the reducing ex-pump price of diesel to the implementation of the G4O program and plans to scale up from 30% to 50% of national consumption. To garner broader support from stakeholders towards the decision to scale up the programme, full disclosure of the policy should be made public. Measures should also be put in place to mitigate potential unintended consequences that could arise, such as fuel supplier concentration risk.

The current geopolitical uncertainties and their effect on potential security of supply of petroleum products underscores the need to finalise the country’s strategic oil reserves policy for adoption.

Agriculture/Manufacturing

Government, as part of a six-point plan on economic recovery, is focusing on building a strong private sector growth agenda. This agenda includes Ghana's agricultural and manufacturing sectors. Ghana's agricultural sector is expanding gradually, with a 6.3% growth in 2023 mainly attributable to the rebound of the crop, livestock, forestry, logging and fisheries subsectors. The manufacturing sector, however, saw a general decline in 2023 by 1.1%. The decline was mainly attributable to the sector's heavy reliance on imports of inputs for production and the importation of finished goods. This adversely impacted the value of the Ghana cedi, and caused high inflation to record levels in 2023, increased production and labour costs.



Source: 2023 Budget Statements

Comparing Nkabom (2023) and Nkunim (2024) budgets

2023 Initiatives	Updates in 2024
1 Implementation of the components manufacturing policy to support the production and supply of components and spare parts for the automotive industry.	Components manufacturing policy is still being finalised (2024 Budget). (Source: 2024 Budget - Article 427)
2 Introduction of three additional vehicle assembly plants under the Ghana Automotive Development Programme.	About seven foreign auto assembly facilities have been established, producing about nine global brands of vehicles assembled from semi-knocked down (SKD) units - Volkswagen/VW, Toyota, Sinotruck, Nissan, Peugeot, KIA, and Metal Works Engineering Company Limited (Source: Graphic Online)
3 Establishment of Export Trade Houses (ETHs) in selected markets to promote made-in-Ghana products.	East African Trade House launched in Kenya, Sameer Business Park. May 2023 (Ghana High Commission, Kenya). (Source: May 2023 (Ghana High Commission, Kenya))
4 Establishment of a GH¢500 million special credit programme Development Bank Ghana (DBG) Emergency Economic Programme to support businesses in the agribusiness value chain.	1. Facilitation of GH¢1 billion private sector financing. 2. GH¢829m loaned through Participating Financial Institutions (PFIs) as follows: o GH¢110 million to gender finance; o GH¢19.7 million to green finance deals; o GH¢ 385.3 million to high-value services; o GH¢122.2 million to manufacturing; and o GH¢212.5 million to enhance food security (PG 107 Acct 468). (Source: 2024 Budget - Pg 107, Article 468)
5 Development of Special Economic Zones (SEZ) policy under the Ghana Economic Transformation Project (GETP).	1. Lands designated for new generation Industrial Parks and SEZ- o Greater Kumasi Industrial City Project and Special Economic Zone (5,000 acres); o Builsa Agro - Processing Park (3,000 acres); o Shama Export Processing Zone (1,610 acres, including West Park); o Sekondi Export Processing Zone (2,000 acres); and o Savelugu Industrial Park (2,000 Acres). (Source: Ministry of Finance, Ghana) 2. Greater Kumasi out of the 5 is the only SEZ earmarked as a concessional borrowing sourced project between 2024 to 2027. (Source: 2024 Budget - Pg 298)
6 Withdrawal of forex support on importation of specific goods and non-critical products to help curb further depreciation of the Ghana cedi.	The Bank of Ghana reversed the FX Control Measure on the backing of the IMF Extended Credit Facility (BoG – IMF 2023). (Source: Business & Financial Times Online)
7 Completion of the Textile and Garment Manufacturing, and Pharmaceutical policies.	A new Textile and Garment policy has been formulated and is expected to be implemented before the end of 2023. (Source: 2024 Budget - Article 428)

Relevant monetary allocations (GH¢)

- GH¢1 billion committed with MiDA (Millennium Development Authority) towards the Enclave Project.
- GH¢32.7 billion invested towards the supply of energy.
- GH¢25.3 billion invested to facilitate financial sector repositioning to support businesses.
- GH¢541.5 million invested in 169 1D1F enterprises to scale-up value addition.

Initiatives in 2024 Budget Statement

- Planting for Food and Jobs (PfJ) 2.0 - strengthening linkages between value chain actors to improve input supply, aggregation and access to affordable and timely credit.
- Implementing Economic Enclave Projects (EEP) – Land tenure security for large scale agriculture.
- Strengthening of private sector anchor farmers.
- Focusing on foreign investment towards technology and EEP.
- Launching of the Ghana Mutual Prosperity Dialogue.
- Improving existing warehousing facilities for agric produce storages.
- Focusing on oceanic and inland earthen ponds as part of agric sector growth strategy.

Commentary

The challenges in the Ghanaian manufacturing ecosystem persist. High cost of energy, inadequate infrastructure and access to finance are among the challenges the manufacturing sector faces. Even though the two-year extension of the VAT zero-rating on import of manufacturing inputs will reduce pricing of some locally manufactured products, the beneficial effect of this fiscal policy incentive is not expected to contribute towards a significant sector-wide gain as the benefit is expected to be enjoyed by a small segment of the manufacturing sector. Government should among others, consider extending reliefs and incentives applicable to the automotive sector to other segments of the manufacturing sector which are capable of engaging in assembling of semi-knocked downs (SKDs) and complete-knocked downs (CKDs) just as it has done under the automotive sector.

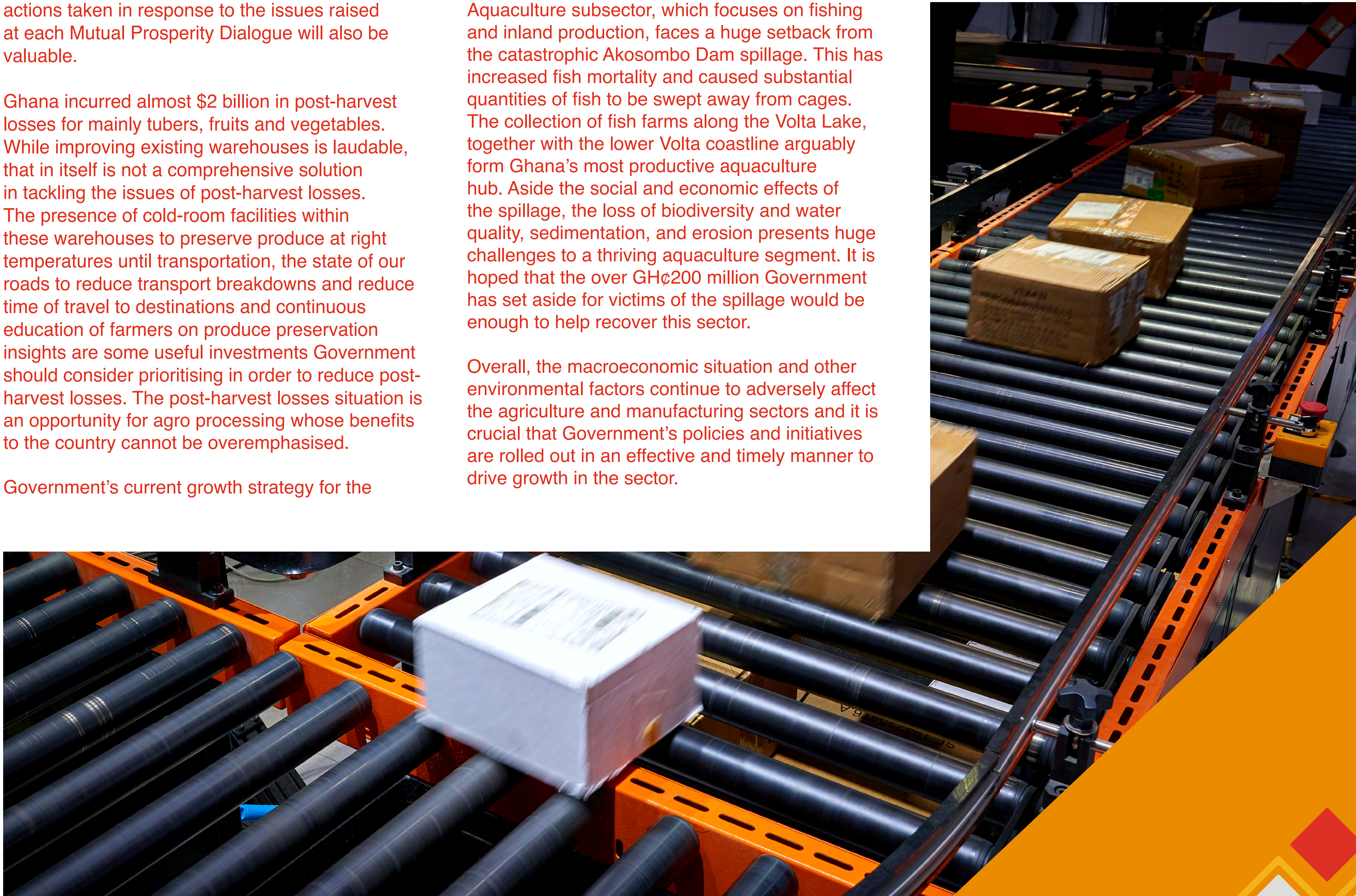
In the agricultural sector, the focus of Planting for Food and Jobs (PfJ) Phase 2.0 compared to Phase 1 has moved down the value chain. With Phase 1 ending with monitoring and evaluating systemic issues, it is vital that Government considers the lessons learnt when implementing Phase 2.0. Investment in road infrastructure networks to and from nationwide sites of the economic enclave projects must also be prioritised to increase private sector participation. While the agricultural sector employs over 38% of Ghanaians, the contribution of agriculture to the overall economy remains just over 20% and it is our position that Government may have to look beyond these proposals in order to truly create more real jobs for the teeming unemployed population.
Government's timely feedback on the status of

actions taken in response to the issues raised at each Mutual Prosperity Dialogue will also be valuable.

Ghana incurred almost $2 billion in post-harvest losses for mainly tubers, fruits and vegetables. While improving existing warehouses is laudable, that in itself is not a comprehensive solution in tackling the issues of post-harvest losses. The presence of cold-room facilities within these warehouses to preserve produce at right temperatures until transportation, the state of our roads to reduce transport breakdowns and reduce time of travel to destinations and continuous education of farmers on produce preservation insights are some useful investments Government should consider prioritising in order to reduce post-harvest losses. The post-harvest losses situation is an opportunity for agro processing whose benefits to the country cannot be overemphasised.

Government's current growth strategy for the Aquaculture subsector, which focuses on fishing and inland production, faces a huge setback from the catastrophic Akosombo Dam spillage. This has increased fish mortality and caused substantial quantities of fish to be swept away from cages. The collection of fish farms along the Volta Lake, together with the lower Volta coastline arguably form Ghana's most productive aquaculture hub. Aside the social and economic effects of the spillage, the loss of biodiversity and water quality, sedimentation, and erosion presents huge challenges to a thriving aquaculture segment. It is hoped that the over GH¢200 million Government has set aside for victims of the spillage would be enough to help recover this sector.

Overall, the macroeconomic situation and other environmental factors continue to adversely affect the agriculture and manufacturing sectors and it is crucial that Government's policies and initiatives are rolled out in an effective and timely manner to drive growth in the sector.



Financial Services

The financial services sector has been affected by dynamic global factors such as rising inflation and interest rates and the effects of Government's debt restructuring programme. Per the 2024 Budget Statement, Government's focus is to drive the restoration of macroeconomic stability, coordinate an equitable debt operation programme, ensure that the vulnerable are well protected, a strong private sector growth agenda, and attract significant green investments to promote growth. The financial services sector is expected to contribute to this agenda given the significant role it plays in the economy and its contribution to the services subsector of the economy and to GDP. Among other things, the financial services sector will anchor the provision of financing to small and medium-scale enterprises and capital to boost the agricultural sector while providing financial stability to the various financial institutions through the Ghana Financial Stability Fund, Bank of Ghana and The Development Bank Ghana.

Banking

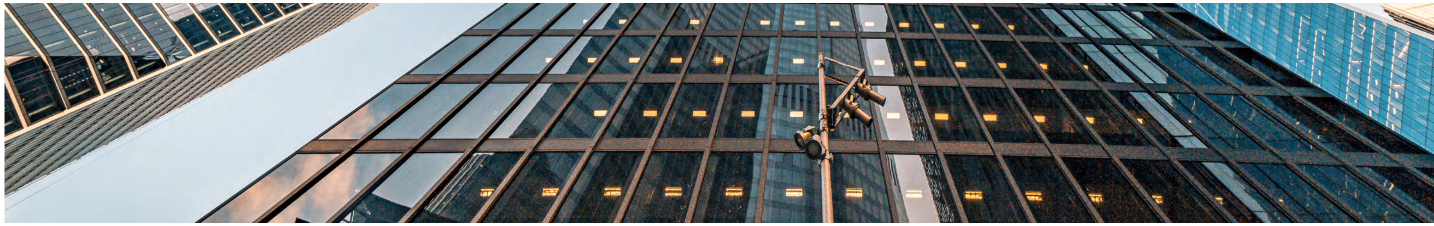
The banking sector is expected to continue to play a key role in maintaining the gains made so far in 2023 and support the growth of the Ghanaian economy in the near term. Initiatives in the budget targeted at stimulating the banking industry include:

Ghana Financial Stability Fund (GFSF) - This consists of two distinct sub-funds to provide solvency and liquidity interventions. Fund A1 is a US$250 million World Bank supported sub-fund targeted at banks and specialised deposit-taking institutions who meet certain criteria. Fund A2 is a US$500 million (Cedi equivalent) GoG fund earmarked for the recapitalisation of state-owned financial institutions and, to the extent feasible, other indigenously-controlled financial institutions.

Boosting Agribusiness - Ghana Incentive-Based Risk Sharing System for Agricultural Lending (GIRSAL) will provide GH¢350 million in partial risk guarantees for private sector participation in the agricultural and agri-business sector. This would enable banks relying on the GH¢350 million guarantee to be able to lend about GH¢700 million to the agricultural sector and agri-business.

The Development Bank Ghana (DBG) will establish the Partial Credit Guarantee Company (PCG) with seed capital of US$75 million. The PCG will complement the work of GIRSAL and will provide partial credit guarantees of up to 75% to reduce risk and attract more investment from the private sector.

Further, Ghana Export and Import Bank will make GH¢300 million available to support agriculture, particularly poultry and cereal production, and agro processing.



Access to Finance - The Development Bank Ghana (DBG), GIRSAL, Ghana Export and Import Bank, Consolidated Bank Ghana, Venture Capital Trust Fund, Ghana Investment Infrastructure Fund (GIIF) and the Ghana Commodity Exchange will support private entrepreneurs with loans, partial guarantees, and venture capital.

Gold For Oil - The plan is to scale up the Gold for Oil programme to cover 50% of national consumption. These interventions have boosted gross reserves of the Bank of Ghana and helped reduce foreign exchange pressures emanating from Bulk Import, Distribution and Export Companies (BIDEC) refer to page 19 to see how this relates to the energy sector.

Commentary

GFSF is a commendable initiative to support state-owned financial institutions after a successful implementation of the DDEP. However, the budget is silent on the timeline for issuing the marketable bonds which is the funding source of the GFSF.

It must also be noted that the success of this initiative is hinged on a successful patronage of the marketable bonds. All things being equal, a fruitful implementation of the GFSF would help stabilise the financial services industry.

The 2024 Budget allocates GH¢300 million to the agricultural sector through the local banks and venture capital institutions with about GH¢2 billion expected in loans from DBG available to the agriculture, garment, and pharmaceutical value chains. While we commend such efforts, it is instructive to observe that there remains some significant inherent risks in the agriculture sector that need to be addressed to increase the sector's attractiveness to investors, reduce potential defaults and drawdown on guarantees from GIRSAL and PCG to ensure sustainability of these interventions refer to page 22 for our commentary on agriculture and manufacturing.

Tied to the point above is a deliberate effort the budget makes to encourage the youth to venture into agriculture through youth entrepreneurship. By making funds available for this purpose, Government demonstrates commitment to solving the problem of lack of access to capital which has been known to be a major setback for enterprising youths. It must be noted that such initiatives must be supported by capacity building programmes and extension services among others to achieve the expected outcomes. We expect the necessary structures to be put in place with well-spelt out qualification criteria to ensure that these funds serve the needs of the people they are intended for.

The Gold for Oil policy was introduced as a temporary measure to shore up the foreign exchange reserves of the Bank of Ghana. This policy was intended to be phased out as the economy regains its stability. The move to extend this policy from 30% to 50% of national consumption as indicated in the Budget raises concerns about the objective of the policy; and signals a subtle admission that we are not out of the woods yet. As the Government extends the policy's tenure, the associated risks must be evaluated to ensure they do not outweigh the potential benefits. Full disclosure on the structure of the policy will be crucial for transparency with the citizenry and boost confidence in the policies of Government.

Insurance

The Budget is silent on the mainstream insurance industry and focuses on areas of social good, highlighting the National Health Insurance (NHIS), Agriculture and Disaster Risk Insurance as well as the National Unemployment Insurance Scheme.

Government plans to increase budget allocation to the NHIS authority by at least 40% to gradually clear the backlog of medical claim arrears and ensure that the transfers fully cover essential medicines, and vaccines. Government intends to ensure availability of essential medicines and targets a return of child vaccination rates to pre-crisis levels with the implementation of these measures. In 2024, Government, plans to scale up the enrolment of members on the NHIS using the Ghana Card and explore the inclusion of other services into the Benefit Package through the Ministry of Health.

Agriculture and Disaster Risk Insurance - Ghana is expecting between US$15 and US$20 million in grants from Global Shield to support climate and disaster risk management in Ghana. The support will cover areas such as agricultural insurance, urban flooding, and coastal flooding.

In addition, the 2024 Budget Statement and Economic Policy confirmed the development of a sub-sovereign parametric insurance product for urban flood for the Greater Accra Metropolitan Area (GAMA). This parametric insurance product is expected to be brought to the market in 2024. Furthermore, a £3 million grant support is expected from the InsuResilience Solutions Fund (ISF) to provide for premium payment for 3 years.

National Unemployment Insurance Scheme (NUIS) - The Budget mentions the commencement of the National Training and Retraining Programme, under the National Unemployment Insurance Scheme (NUIS), which was introduced to assist workers whose jobs were severely impacted by COVID-19. The programme was designed to benefit teachers in private education, hospitality and tourism sectors, among others. The first cohort of 8,865 beneficiaries completed the programme, comprising 3,325 from the private education sector and 5,540 from the hospitality and tourism sector. Government intends to enrol the second cohort of the programme in 2024.

Commentary

In the face of economic challenges and hardships, an improved and accessible health insurance scheme will be very beneficial to the general Ghanaian populace. Supported by tax revenues through the National Health Insurance Levy (NHIL) and being an earmarked fund, one would not have expected that the NHIS will be bestowed with lack of adequate funds. The 40% increase in budgetary allocation is a commendable first step to address its financing woes.

In the 2023 Budget, Government had estimated US$400 million in agriculture insurance aimed at commercial and small-scale farmers under the Ghana Agriculture Insurance Pool (GAIP). While progress has been made on sourcing funds to cover the agriculture insurance initiative, it remains unclear the eligibility criteria for farmers to access this support and the extent to which the existing insurance companies are participating in this initiative. An awareness campaign will be beneficial so that farmers are able to take advantage of this initiative to promote agriculture.

Given the increase in floods in the urban and coastal areas of the country, an increase in funds for disaster management especially the urban and coastal flooding is a timely measure to support the livelihood of the affected persons. The timely implementation of the Greater Accra Metropolitan Area (GAMA) Sub-sovereign parametric insurance product and the swift response by the National Disaster Management Organisation (NADMO) and local authorities after severe flooding, especially for the vulnerable segments of the population will be beneficial. It will be good to extend this model to other municipalities outside GAMA.

As part of the National Unemployment Insurance Scheme (NUIS), Government introduced the National Training and Retraining Programme, an initiative aimed at training and retraining eligible workers under the NUIS. While this remains a good initiative, the success of this programme is dependent on the successful employment of these beneficiaries. It is unclear from the Budget if the first cohort have successfully found gainful employment. It is also unclear if those enrolled under the NUIS have received any income support benefit.

Pensions

According to the Budget, domestic investor participation in Ghana Stock Exchange – Composite Index (GSE-CI) has increased from 35.9% recorded in 2022 to 46.4% on the back of Pension Funds increasing their allocation to equities.

Pension funds were included in the second round of the DDEP along with Cocoa bills where an alternative offer was provided for pension funds to give up their old bonds in exchange for new bonds with greater value. A total of GH¢29.6 billion pension funds was exchanged under the arrangement. The new pension fund securities issued under the Exchange had a coupon rate of 20% over an average maturity period of 4 years.

Outcome of the Pension Funds Exchange

Eligible Amount GH¢31.0bn X Participation rate 95.3% = Exchange Amount GH¢29.6bn

According to the Budget, National Pensions Regulatory Authority (NPRA) enrolled 56,167 workers in the informal sector onto the 3rd Tier of the 3-Tier Pension Scheme over the course of the year. This brings the number of informal workers in Tier 3 to 594,422, representing 6% of the workers in the informal sector. The budget mentions that the NPRA will create awareness to increase pension cover to workers in the informal sector to 12% in 2024. It will also ensure full deployment of its Risk-based Software to improve operational and regulatory oversight.

Commentary

The increase in the allocation of pension funds to equities on the Stock market is as a result of the increased performance of the market in recent years since 2021. This also comes on the back of the DDEP where Funds are reducing their exposure to government securities. To realise an increase and sustained participation of pension funds in their allocation to equities on the stock market, the National Pensions Regulatory Authority (NPRA) may consider the risks and safeguards but ultimately allow funds to determine their strategies and exposure limits for equities and other capital market securities.

The Ministry of Finance released a note to confirm payment of coupons on the 4.7% of the eligible amount that was not exchanged for the new bonds under the alternative DDEP for pension funds. However, the DDEP continues to have a direct and immediate short-term effect as well as long-term impact on the stability of the pensions industry's liquidity. This is because the new bonds defer cash flows -interest and principal repayments to later years than their original due dates. Additionally, the old bonds which did not participate in the DDEP may not benefit from active trading in the new bonds market.

While there is a marginal growth in pension membership or enrolment unto the Tier 3 pension scheme over the course of the year 2023, there has not been real significant increase in the enrolment given that the percentage of workforce enrolled unto the scheme was around the same 6% last year. Government and NPRA must therefore intensify education of the informal sector as it aspires to double the enrolment rate.

Capital markets

The Ghana Fixed Income Market (GFIM) performance in 2023 has declined, compared to 2022, mainly due to lack of confidence in the market as a result of the DDEP. The volume of trades on GFIM from beginning of the year to October 2023 was 68.9 billion (at a value of GH¢58.0 billion) of which 60.9 billion was in relation to Government securities, representing 88.4% of the total trade volume. Over the same period in 2022, the total volume traded was 196.3 billion (at a value of GH¢189.1 billion) of which 171.2 billion involved Government securities and accounted for 87.2% of the total trade volume.

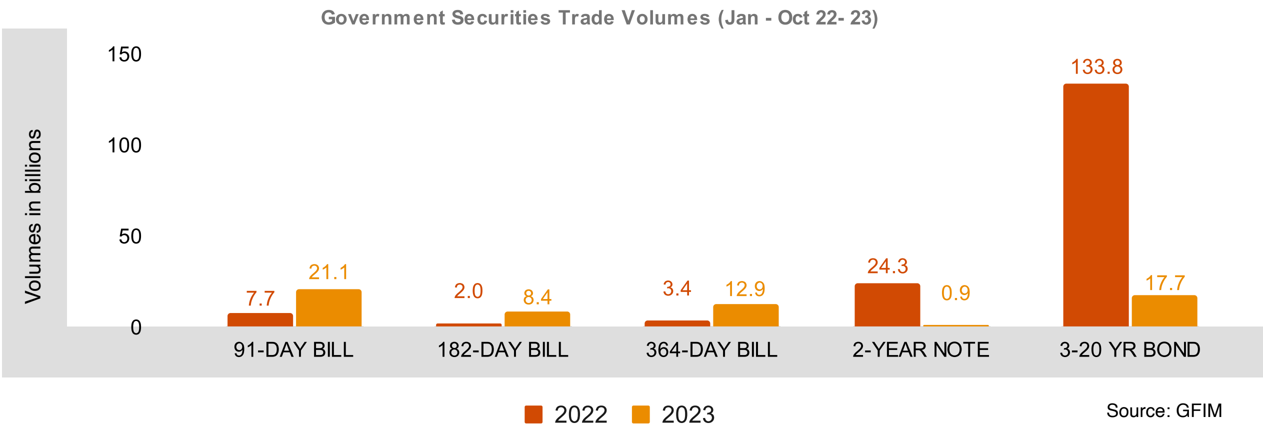
Liquidity in the government securities (notes and bonds only) portfolio on the secondary market reduced from 99.8% in October 2022 to 22.3% in October 2023. The low liquidity in the market is largely due to the impact of the Domestic Debt Exchange Programme (DDEP) which has generally delayed the maturity of affected government securities.

Commentary

In our 2023 Budget Digest, we predicted that the DDEP would trigger an increase in investment withdrawals, creating potential liquidity challenges for market participants. Liquidation in investments prior to the DDEP increased and subsequently there has been a significant decline in market activities due to the uncertainties in the market which goes to affirm our prediction based on the record drop in capital market trade volume.

The volume of Government's long-term securities reduced by 77.5% between October 2022 to October 2023. This is because there has been no issuance of new bonds by Government aside the issuance of bonds under the DDEP.

The trade performance of Government securities reveals a preference for short-term securities, with Treasury bills (T-Bills) (91-day bills, 182-day bills, and 365-day bills) emerging as the most subscribed. T-Bills constituted 61.5% of the total trade volumes on the fixed-income market from January to October 2023, as compared to 6.6% over the same period in the previous year due to few investment and trading alternatives for investors on the market.



Source: GFIM

Investor Protection Fund

The 2024 Budget Statement highlighted Government's plans to address key challenges in the financial sector including legacy challenges in the financial sector through the provision of GH¢4 billion.

Between 2020 and 2021, Government spent GH¢4.46 billion as part of efforts to clean-up the asset management industry and this settled investors of 39 failed Asset Management Companies (AMCs).

Commentary

Given the recurrent challenges facing the financial sector, there is the need for the government to expedite efforts being made to set up the Investor Protection Fund (IPF) which was part of government's plans outlined in the 2023 Budget Statement. Together with the Ghana Deposit Protection Scheme (GDPS), the IPF would protect the investing public against loss of deposits and investments.

Government should also speed up the proposed amendment to the Securities Industry Act, 2016 (Act 929) to provide the legal basis for the establishment of the IPF. The creation of the IPF would contribute significantly to restore investor confidence and build a more resilient capital market. While the economic indicators are still recovering to boost investor confidence, it will be interesting to see how much will be needed in the investor protection fund to give investors confidence even as we maintain fiscal discipline under the current IMF program.

National Home Ownership and Investment Scheme

The 2024 Budget Statement indicated that the National Homeownership Fund (NHF) has boosted the local currency mortgage market since 2018 through its partnership with private sector financial institutions to restore the distressed local currency mortgage market with a blended financing solution.

The Budget states that the NHF, in partnership with its Participating Financial Institutions (PFIs) (GCB Bank PLC, Republic Bank (Ghana) PLC and Stanbic Bank Ghana Limited) and TDC Company Limited, has underwritten cedi-denominated mortgages for over 400 housings units at Tema Community 22 which are being occupied by public sector workers. It has also underwritten 296 mortgages, comprising 2 & 3-bedroom housing units at Kasoa, Kumasi and Tema at a value of GH¢39.9 million. This has boosted the market for cedi denominated mortgages given that the rates quoted under the NHF are below the market and the tenures are up to 20 years.

Commentary

The 2024 Budget Statement was silent on the progress made by Government in developing a legal and regulatory framework for the National Home Ownership and Investment Scheme, as announced by the Minister in the 2023 Budget Statement. Ghana’s housing deficit is estimated to be in excess of 1.8 million housing units, indicating the significant impact the NHF can make in solving housing deficit issues and providing a viable capital market opportunity through real estate. Hence, a strong commitment in terms of policy and regulation is required to help improve and build on the total of 696 cedi-denominated mortgages underwritten since the establishment of the NHF.

The NHF was established to provide cedi-denominated mortgages to public sector workers and construction finance to developers. Government should expedite efforts to scale up the scheme to cover private sector workers. Exploring more Public-Private Partnerships and improving incentives for real estate developers would also ensure that the full benefits of the NHF are realised, as the Government has taken the right steps to address the national housing deficit and strengthen the capital market.

Public Financial Management

We highlight three key expenditure areas in the 2024 National Budget based on their projected ratio to total expenditure. These are Compensation of employees (GH¢63.68), Interest payments (GH¢55.93) and Grants to other Government units (GH¢39.59). Together, they constitute 70% of the 2024 expenditure.

Government has proposed measures meant to achieve efficiency and reduce spending in these areas. These measures are summarised below:

Compensation of employees

- Integration of Human Resource Management Information System (HRMIS) with GIFMIS
- Integration of National Identification Cards with the Controller and Accountant General's Department (CAGD)'s payroll system
- Comprehensive payroll audit by the Internal Audit Agency (IAA)

Interest payments

- Strict adherence of project financing to PFM Regulations 2020, L.I. 2411 (Public Investment Management)
- Zero ceiling on any collateralised debt over revenue streams or other assets of MDAs and SOEs (State Owned Enterprises)
- Strict adherence to debt limits by Government, including SoEs and covered entities

Grants to other Government units (including Earmarked Funds)

- Strengthening governance and oversight mechanisms
- Improving operational efficiencies of Earmarked Fund Entities
- Ensuring non-collateralisation of receivables by Earmarked Fund Entities

Within the broader PFM framework, the 2024 Budget seeks to continue to implement reforms that will improve PFM and advance fiscal consolidation, macro economic stability and growth in 2024 and beyond. These reforms are geared towards enhancing revenue mobilisation, and tightening budget and expenditure commitment and control. These are part of reforms in the International Monetary Fund (IMF) supported Post-COVID Programme for Economic Growth (PC-PEG). Key PFM reforms highlighted in the 2024 Budget Statement include:

- Development of a Medium-Term Revenue Strategy (MTRS) spanning the period 2024-2027.
- Comprehensive reform and rationalisation of Earmarked Funds.
- Expenditure control through GIFMIS.
- Strengthening compliance mechanisms.

Development and adoption of a Medium-Term Revenue Strategy

The main objective of the MTRS is to reform the revenue system in a way that is conducive for growth, and increases revenue productivity while improving efficiency and equitable distribution of the tax burden. It aims to provide a plan for reforming the tax and non-tax systems in order to increase domestic revenue mobilisation to meet medium-term expenditure and debt obligations.

Commentary

The development of the MTRS is commendable as it seeks to increase domestic revenue mobilisation and ensure certainty and equity. Currently, tax-to-GDP ratio and Non-Tax Revenue (NTR)-to-GDP ratio is 13% and 2.2% respectively. With the implementation of the MTRS, Tax-to-GDP ratio and NTR-to-GDP ratio are expected to increase to 20% and 4% of GDP respectively by 2027. According to Data from Organization for Economic Cooperation and Development (OECD) Revenue Statistics in Africa 2023, average Tax to GDP ratio in Sub Saharan Africa is 15.6%, while average Non-Tax revenue to GDP ratio in Sub Saharan Africa is 5.8%.

It is important that Government demonstrates increased commitment to implement the MTRS within the timeframe that has been set, especially within the context of 2024 being an election year. A monitoring mechanism with clear timelines for key milestones should be developed to track progress of implementation and assess performance. This will ensure that any key risks to successful implementation are identified and addressed timely.

Comprehensive Reform and Rationalisation of Earmarked Funds

Government indicated in the 2024 Budget Statement that steps have been initiated to undertake a comprehensive reform and rationalisation of statutory funds. In furtherance of this, Government has completed a review of the statutory funds and developed a strategy to reform the funding and operations of statutory funds. The full implementation of the strategy is expected to commence in 2024.

Commentary

The review of the statutory funds was in fulfilment of the Earmarked Funds Capping and Realignment Act, 2017 (Act 947), as amended by the Earmarked Funds Capping and Realignment (Amendment) Act, 2022 (Act 1088) which requires the Minister for Finance to undertake the exercise to determine whether or not the Earmarked Fund has outlived its usefulness.

It is also noteworthy that the Structural Reform Benchmark (SRB) under the IMF-supported PC-PEG requires the Ministry of Finance to publish a Cabinet approved strategy to streamline statutory funds by the end of September 2023; hence, the Strategy Paper on Review of Earmarked Funds published by the Ministry of Finance in September 2023.

A major setback in the administration of the Earmarked Funds is inadequate and ineffective governance oversight leading to several issues such as lack of enforcement of relevant requirements in the PFM Act and Regulations regarding commitment control and expenditure management, and accumulation of significant debts and payables amounting to over GH¢3.6 billion.

Securitisation of portions of future funds or other assets to secure debt financing was another area of concern. While securitisation ensures capital injection to improve operations, it results in budgetary rigidities due to financial constraints associated with commitments to fulfil contractual arrangements on debt repayment, including interests.

The review also noted that there were significant bank balances in accounts maintained by some of the Earmarked Funds in commercial banks. At the end of 2022, the commercial bank balances of the Earmarked Funds stood at GH¢3.6 billion, comprising demand and fixed term deposits. This partly indicates non-compliance with the Treasury Single Account transition. Section 46 of the PFM Act, 2016 (Act 921) and Section 134 of the PFM Regulations established the Treasury Single Account into which all Government funds, including funds received by covered entities such as Earmarked Funds, shall be deposited, and from which all expenditure shall be made. This is to ensure optimum utilisation of Government funds.

Other notable findings include high incidence of non-core expenditure. The enabling acts that set up some of the Earmarked Funds had clauses allowing "other" expenditure to be incurred once requisite approvals are obtained. Whereas approvals were obtained for these "other" expenditures, the consequences of these activities restrained the respective Earmarked Funds from fulfilling their primary objectives.

It is in recognition of these weaknesses that we welcome Government's determination to undertake the comprehensive reform and rationalisation of the statutory funds to ensure reduction in budget rigidities and fiscal risks, achieve spending efficiency and value for money, and eliminate duplication of efforts in the use of public resources.

Expenditure Control through GIFMIS

Government indicates in the 2024 Budget Statement that steps have been taken to address weaknesses in expenditure control arising from statutory funds and Internally Generated Funds (IGF) reliant institutions whose spending are not linked with the GIFMIS platform. Government indicates that efforts have been made to fast-track the process to fully roll-out all the functions of GIFMIS and enrol all conceivable entities onto the system.

Government also announced that the Controller and Accountant-General's Department (CAGD) in collaboration with the Bank of Ghana and the Ghana Interbank Payment and Settlement Systems (GhIPSS) have introduced the GIFMIS-GhIPSS Electronic Funds Transfer (EFT) platform for Government institutions.

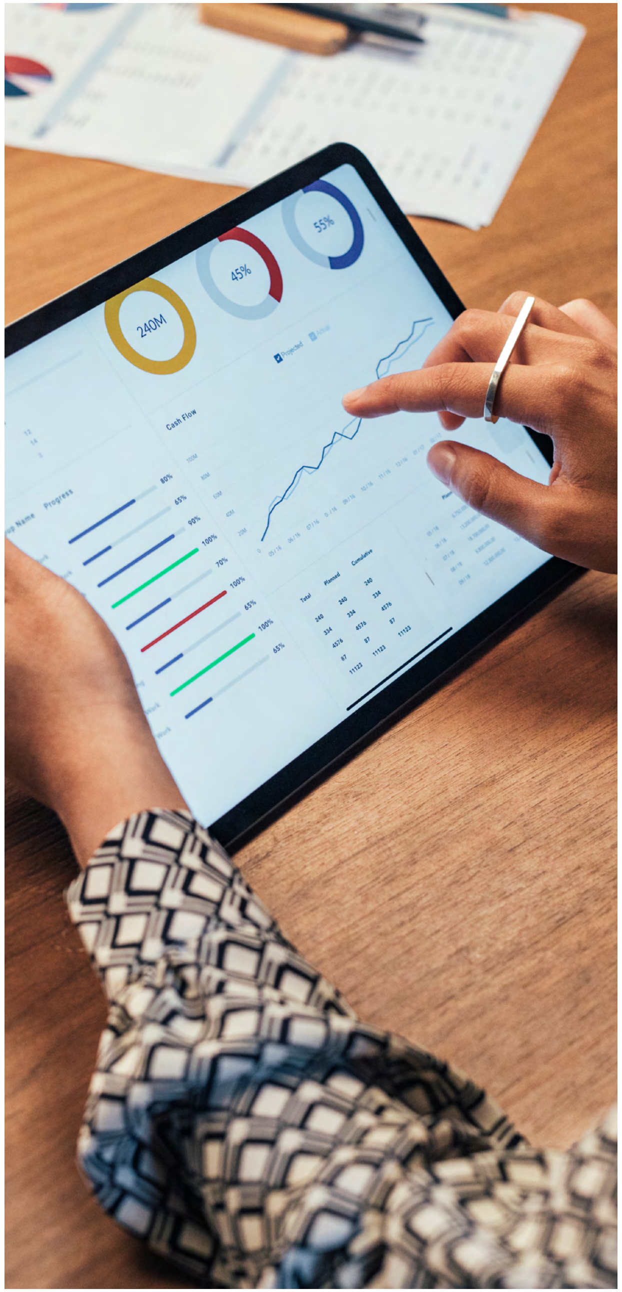
Other expenditure control measures to be implemented by Government include enabling the "Blanket Purchase Agreement" to fully capture multi-year commitments / contracts in GIFMIS, integration of Human Resource Management Information System (HRMIS) with GIFMIS and the Payroll system to strengthen control on "ghost names", promotions, hiring and payroll costs, aligning quarterly allotments with a cash forecast and tightening the use of allotments as a control on the GIFMIS, rather than the budget.

Commentary

It is instructive to observe that the Government has recognised the inappropriateness of the partial deployment of the GIFMIS liaised with the inability to bring all covered entities under the GIFMIS platform and has taken steps to correct them. A successful correction of the situation will be in line with the PFM Regulations and to support adequate reporting as required by international standards. The modules of the GIFMIS yet to be activated such as inventory management, order management, treasury management and Enterprise Asset Management (eAM) are critical to ensure efficient transaction processing through automation of the business processes, enhance reporting and accountability across institutions and enable Automatic Bank Reconciliation (ABR).

Given the risks associated with working outside of GIFMIS and the benefits we stand to gain with a comprehensive deployment of the system and onboarding of all covered entities, it is imperative for the Government to do all that it takes for a successful operationalisation of the GIFMIS project within the short-term. This will enable the country to rake in the needed benefits, reduce corruption and empower the Government to provide adequate oversight and control over public fund utilisation; as well as positively stimulate the business environment.

Other PFM measures such as the integration of GIFMIS with other key institutional databases such as Ghana Integrated Electronic Procurement System (GHANEPS) and HRMIS, and tightening the use of allotments as control on GIFMIS rather than budget, are key to ensure transparent and efficient procurement, reduce Government compensation of employees expenditure and enhance accountability and reporting.



Strengthening compliance mechanisms

As part of expenditure reforms being implemented by Government thanks to the IMF supported PC-PEG, the Ministry of Finance has established a Public Financial Management Compliance Desk (PFM-CD) to enforce strict compliance with budget commitment control and arrears prevention measures. The following are the key functions of the PFM-CD:

- Tracking of covered entities' procurement contracts to ensure that they are preceded by purchase orders generated from GIFMIS in compliance with regulations 66 (1b) of the PFM Regulations, 2019.
- Tracking of all procurements undertaken by covered entities to ensure that the processes are conducted through the use of GHANEPS.
- Regular monitoring of all covered entities expenditures to determine the level of compliance with the commitment compliance measures through the regular review by the internal audit units, and enforce appropriate sanctions in line with relevant laws.
- Publication of emergency expenditure guidelines and status of audit recommendations implementation and follow up instructions for public institutions.

The Internal Audit Agency (IAA) has also been tasked to ensure quarterly commitment control compliance reviews by Internal Audit Units in covered entities, and submission of a composite report, including recommendations for sanctions, to the Minister for Finance by the IAA.

The Ministry of Finance also intends to publish a PFM commitment control compliance League Table in line with the provisions of regulations 230 (1b) of the PFM Regulations, 2019.

Commentary

The above measures, if fully implemented, are expected to ensure effective enforcement and accountability by covered entities in respect of the budget commitment control measures.

In addition, external audit and parliamentary scrutiny are critical to ensure that transparency, accountability and integrity are upheld and that public entities are held accountable for their decisions and actions in managing public resources.

We also believe that the status of audit recommendations implementation and follow up instructions should be part of a Legislative Instrument to ensure that they are fully enforced especially as the Government seeks to ensure strict adherence to PFM guidelines.

It is worth noting that for the first time, Government has published, as part of its Budget Statement, an update of the actions being taken on the recommendations from the Auditor-General. This is in furtherance of section 21 (6)(b) of the Public Financial Management Act, which requires the Status of Implementation Review Committee (SIRC) to prepare a memorandum specifying measures taken by the Government to implement in the ensuing financial year the recommendations of Parliament in respect of the report of the Auditor-General. This is commendable and demonstrates transparency in reporting back to citizens and stakeholders.

Infrastructure

Government has reiterated its commitment to support infrastructure development and maintenance with an underpinning focus on structuring climate resilient infrastructure that helps drive inclusive national development. In 2024, Government intends to spend approximately GH¢ 7.34 billion on Ghana's core infrastructure sectors representing an approximately 28% cut compared to GH¢ 10.25 billion in 2023. Generally, there has been a consistent drop in budgetary allocation across most of the key infrastructure ministries. This is expected as there is usually a constraint on Government spending under an IMF programme.

In the Budget Statement, Government highlights the provision of infrastructure as a key component of Government's foundation for a sustained economic expansion aimed to support Ghana's economic growth to exceed a GH¢1 trillion GDP.

Transport and logistics

Roads

In the 2024 Budget, Government has committed a total of GH¢ 4.11 billion towards the development and maintenance of Ghana's road infrastructure. This amount represents a decrease of 22% compared to the prior year's budgetary allocation of GH¢ 5.26 billion to the Ministry of Roads and Highways. Government intends to strengthen the development of Ghana's road infrastructure through private sector collaboration. As part of this, Government plans to work with private players in Ghana's mining value chain to support the funding of the national road network within Ghana's mining enclaves.

Commentary

Government has not clearly indicated its approach to promoting Public Private Partnerships (PPP) models in developing road infrastructure. Structuring viable tolls and setting up an appropriate risk-sharing framework will form part of the key elements of making this model attractive to the private sector, particularly for the major highways that are yet to be fully developed.

Railways

The Tema-Mpakadan standard gauge railway line featured prominently in the 2024 Budget Statement. The line is part of a planned multimodal transport system that will connect cargo transportation from the Tema Port through the Volta Lake Transport System to the Buipe Port in the north.
The plan to link the Western Railway Line to the Takoradi Port to boost trade and mining activities along the railway corridor was also laid in the budget.

Commentary

Government has taken the right step to invest in developing Ghana's rail network. However, given the capital intensive nature of the sector, a conscious effort is needed to drive PPPs in the sector to harness the potential of the rail network in Ghana and to its neighbouring landlocked countries. Additionally, Government should also drive and incorporate elements that factor in climate friendly mobility solutions, renewable energy options, and other environmental and social considerations to support the operations in the sector. This could potentially open up access to climate and/ or ESG finance to develop the sector, reduce carbon footprint and promote sustainable operations as it drives industrialisation through an efficient rail network.

Ports

As part of Government's commitment to promoting trade within Ghana and with its trade partners, it continues to make investments in developing port and airport infrastructure and operations in the country. To expand the operational capacity of Tema Port, Government is supporting the investment in additional Rubber Tyre Gantry Cranes and Shore to Shore Cranes. Additionally, Government is supporting the construction of the Boankra Integrated Logistics Terminal and the development of an Oil and Gas Services Terminal for the Takoradi Port. This terminal has been strategically positioned to serve as a logistics base for offshore oil and gas exploration and production in the western coasts of Ghana

Commentary

Ghana is strategically positioned to attract regional cargo traffic particularly from the landlocked countries such as Niger, Mali and Burkina Faso. Going forward, to become a key player in facilitating this trade, making the strategic investment and formulating the corresponding policies and initiatives can help make Ghana a strong transport hub in the sub-region. These arrangements must be considered in the light of the competition we face with neighbouring Togo so as to gain the right competitive advantage to harness the anticipated benefits.

Other infrastructure

Water and sanitation
While Government continues to drive its "Water for All" agenda by completing several urban water supply and other water system projects across the country, Government has also continued to put in place measures to help promote water quality across the country.

Commentary

Waste management is another key area of focus and Government has positioned itself to continue to partner with the private sector to support the development of recycling plants, engineered sanitary landfills, wastewater treatment facilities, and processing plants for solid waste. Efforts to restructure artisanal mining especially and mining in general in the country must be considered in the light of protecting our water bodies.

Works and housing
As part of Government's commitment to promote local industry, job creation and reduce greenhouse gas emissions, Government has structured the National Affordable Housing programme to incorporate the use of locally produced materials in building and construction. Currently, the development of the Kpone Affordable Housing and the National Affordable Housing Programme at Pokuase are ongoing with the National Affordable Housing Programme at Dedesua slated to commence in 2024.

Commentary

Government continues to emphasise its direction towards partnering the private sector to support the building and sale of the developed units to the general public.

Outlook for Ghana's infrastructure sector

The 2024 Budget Statement clearly identifies three key considerations for the development and maintenance of Ghana's infrastructure sector going forward. These initiatives include developing climate resilient and sustainable infrastructure, leveraging climate finance for infrastructure development and promoting the use of Public Private Partnerships.

Climate resilient and sustainable infrastructure

Climate change risk and its potential impact on people is an important element of infrastructure development today. Supporting the development of climate resilient infrastructure factoring in disaster management and response is increasingly becoming a component to protect people and property. Government continues to make investments in supporting the drainage infrastructure to help control the impact of floods and the associated disasters. Going forward, it would be helpful for Government to ensure that every infrastructure project that is developed or implemented sets out a clear guideline for making it climate resilient. This will help support advance planning and risk mitigation/management measures to limit loss of life and property due to climate change factors such as flooding, etc.

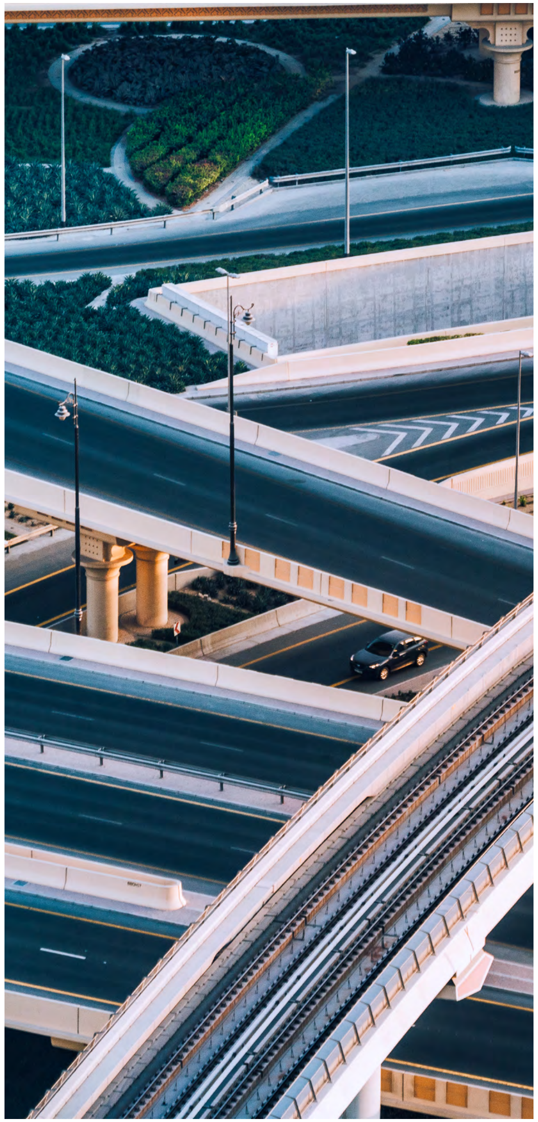
Climate finance

Government has expressed keen interest in partnerships with the private sector in the financing or co-financing of climate resilient infrastructure projects to tap into climate financing from climate focused funds. Government planning to set up a climate focused division within the Ministry of Finance is a step in the right direction to support this initiative. It is still important that the projects are financially and economically viable while enforcing mutually beneficial risk-sharing.

Public private partnerships

On PPPs, Government intends to continue publishing its Annual PPP reports (submitted to Parliament) which highlight the performance of its ongoing PPP projects and highlights pipeline projects awaiting regulatory approvals. Government also intends to finalise the operationalisation of the PPP Act 2020 (Act 1039) for submission to Parliament for passage. Given the constraints around Government spending, PPP may prove to be a viable tool for driving Ghana's infrastructure development. Again, structuring financially viable projects and mutually beneficial risk-sharing will play an important role in implementing these projects via the PPP model.

Infrastructure sector budgetary allocation summaries (2024 vs 2023)



(22%)
Ministry of Roads and Highways
2024 - 4,114m
2023 - 5,295m

(55%)
Ministry of Transport
2024 - 550m
2023 - 1,227m

(68%)
Ministry of Sanitation and Water Resources
2024 - 591m
2023 - 1,847m

(57%)
Ministry of Railway Development
2024 - 267m
2023 - 618m

23%
Ministry of Works and Housing
2024 - 585m
2023 - 474m

57%
Ministry of Communications and Digitalisation
2024 - 1,237m
2023 - 788m

Budgetary Allocation (in GHC million)

Percentage change

Technology/Cyber Security

2024 budget showcases a commitment to technology and digital transformation, focusing on technological development, digital economy expansion, and reinforced cyber security. This commitment is evident in initiatives ranging from hosting international cyber capacity building conferences to digitising public sector operations.

The budget emphasizes the growth of sectors like e-commerce in postal and courier services, aiming to improve service delivery, customer satisfaction, and economic diversification. It also highlights the importance of enhancing national digital infrastructure and creating high-value tech jobs to foster a dynamic digital ecosystem.

Acknowledging the challenges in cyber security, Government has outlined measures to protect digital infrastructure, including legislative and judiciary initiatives, along with training and public awareness campaigns, to build a resilient digital landscape against evolving cyber threats.

Digital Transformation in Public Administration

The National Information Technology Agency's (NITA) plan to onboard Ministries, Departments, and Agencies (MDAs), as well as Metropolitan, Municipal, and District Assemblies (MMDAs), onto the Smart Workplace Platform is a significant milestone in Ghana's journey towards digital transformation. This project which has successfully onboarded 545 MDAs and MMDAs and would continue in 2024, is not just an IT upgrade but a paradigm shift in how the public sector operates and interacts with the citizenry.

At its core, the Smart Workplace Platform is designed to streamline government operations, foster inter-agency collaboration, and enhance service delivery. By bringing various government entities onto a unified digital platform, the government aims to eliminate silos, reduce bureaucratic delays, and promote transparency. This move is a testament to government's recognition of digital technologies as crucial tools for efficient public administration.

Commentary

Onboarding of MDAs and MMDAs onto the Smart Workplace Platform is an important step towards modernising Ghana's public sector. It reflects a forward-thinking approach to governance, aligning with global digital trends. However, the realisation of its full potential depends on addressing the challenges head-on and implementing strategic measures to ensure its success and sustainability. A few things to note:

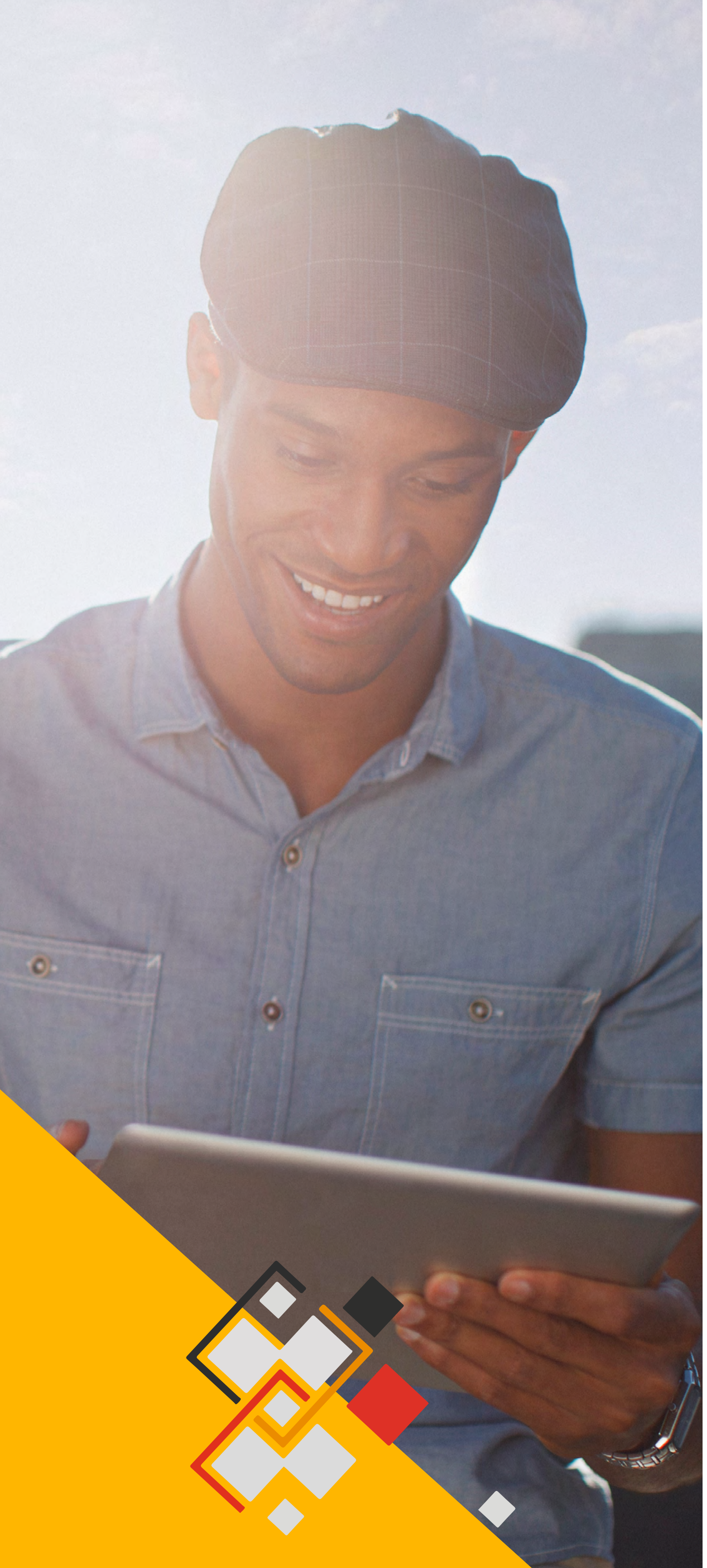
- Centralizing government operations on a digital platform increases vulnerability to cyber threats. Robust cyber security measures, continuous monitoring and regular audits are imperative.
- Ensuring consistent and reliable internet connectivity across all MDAs and MMDAs is crucial, especially in remote areas.
- The shift to a digital platform requires a change in organizational culture and mindset. Effective change management strategies are necessary to address resistance and ensure buy-in from all stakeholders.

Ghana.gov Platform

The Ghana.gov platform, deployed in 2020 by the National Information Technology Agency (NITA), represents a landmark initiative in the digitalisation of public sector services in Ghana.

This platform is integral to the government's digital transformation agenda and has successfully onboarded 1,541 Ministries, Departments, Agencies (MDAs), Metropolitan, Municipal, and District Assemblies (MMDAs), and State-Owned Enterprises (SOEs), with 130 of these entities actively using it for various functions, including processing payments.

This initiative has generated GH¢164 billion in revenue since its inception, signifying its impact and success.



Commentary

The Ghana.gov platform's success so far is a testament to Ghana's commitment to embracing digital technologies in public administration. As the platform continues to evolve, focusing on inclusiveness, user experience, and security will be critical to its sustained success and further contribution to Ghana's digital economy. With these enhancements, the Ghana.gov platform is poised to set a benchmark for digital governance in Africa. Note:

- As planned for 2024, integrating more government agencies responsible for revenue collection can further streamline financial transactions and enhance revenue generation capabilities.
- The proposed integration of a 'Citizens' App' into the platform is a commendable step. This app should focus on user-friendly interfaces, ensuring that it is intuitive and accessible for all citizens, including those with disabilities, to foster inclusiveness and enhance Citizen-to-Government engagement.
- With the increasing reliance on digital platforms, strengthening the cyber security measures to protect sensitive data against breaches is crucial.

Interventions to Accelerate the Digital Economy

Digital Skills Building and Job creation for the Youth

The government's intention to provide digital skills training through partnerships with notable tech platforms and training programs is a significant step towards creating a digitally empowered workforce. This initiative is critical for equipping the youth with skills essential in the current global market. Utilising tech hub contact points to facilitate IT upskilling for young people aligns with the need for a tech-savvy workforce. This initiative is crucial in keeping pace with global technological advancements.

Commentary

Training programs should be tailored to the specific needs of the Ghanaian market. Customizing content to local industries and incorporating local languages can enhance the effectiveness of the training.

Encourage hands-on learning through internships, apprenticeships, and project-based learning. Partnerships with industry players for practical experience would be beneficial.

Special focus should be given to include women, people with disabilities, and underserved communities to ensure broad-based skill development.

Consolidating Digital Assets & Enhancing National Digital Infrastructure

Consolidating digital assets across government institutions is an efficient move towards digitalisation. This can streamline processes and improve governmental efficiency. The enhancement and extension of the national digital infrastructure are key to supporting a digital economy. The GH¢ 290 million set aside in the budget for the Rural Telephony and Digital inclusion project is testament to this commitment by the government. The focus on cost savings and efficient service delivery is commendable.

Commentary

- With the consolidation of digital assets, robust cyber security protocols are essential to protect sensitive data.
- Engage with private sector players for innovative solutions and investments in digital infrastructure.
- Expand digital infrastructure to rural areas to ensure nationwide digital inclusion.

Creating High Value Tech Jobs & Enhancing Digital Entrepreneurship

Embedding advanced digital skills training programs in tech hubs is a forward-thinking approach. It aligns training with the demands of the evolving tech industry, creating high-value job opportunities. Leveraging tech hubs and regional innovation centers for collaboration between academia and industry is a strategic approach to nurture digital entrepreneurship. To this endeavour, the government has set aside GH¢ 200 million to fund the initiative under the Digital Youth VIllage initiative.

Commentary

- Collaborate with the tech industry to ensure training programs are aligned with current and future job market needs.
- Provide support mechanisms for startups, such as funding, mentorship, and networking opportunities.
- Encourage innovations that address local challenges, fostering solutions with both national and global relevance.

Increasing Adoption of E-Government Services

Expanding and improving online government services is vital for a more efficient and accessible public sector. This can lead to improved citizen engagement and productivity.

Commentary

- Ensure that e-government platforms are intuitive and accessible, including mobile-friendly designs.
- Conduct extensive public awareness campaigns to increase the adoption of e-government services.

While the government's initiatives are robust, their success will depend on effective implementation, inclusivity, and adaptability to changing technological trends. Through thoughtful enhancements and strategic partnerships, these initiatives have the potential to significantly propel Ghana's digital economy forward.

In conclusion the government's 2024 Budget is a testament to the country's commitment to harnessing the power of technology for national development. The focus on technology, digitalisation, and cyber security positions Ghana on a promising path towards a digital future.

The initiatives outlined represent an important key strategic approach to digital transformation, covering essential areas like public administration, e-commerce, cyber security, and workforce development. By addressing these key domains, Ghana is not only poised to enhance its economic and social fabric but also to set a benchmark for other nations in the region.

Through targeted efforts in funding, workforce development, infrastructure expansion, policy updates, public engagement, innovation support, and diligent monitoring, Ghana can navigate the challenges of digital transformation and emerge as a leader in technology and cyber security in the region. The successful implementation of these initiatives, however, will require continued commitment, effective resource allocation, and a collaborative effort between the government, private sector, and the international community.

The Legal and Regulatory Landscape

The Government of Ghana through the Attorney-General's Department is expected to pass and/or implement 55 Bills of Parliament into laws and 250 pieces of subsidiary legislation by way of Regulations, Executive Instruments and Constitutional Instruments as captured in the 2024 Budget Statement for details. While the Consultative Committee inaugurated in 2023 for the review of the 1992 Constitution is still working, the Government stopped short of stating whether the Committee's work will be completed in 2024 and implemented ahead of the national general elections on 07 December 2024.

Out of these Acts of Parliament and subsidiary legislations, the government is expected to pass into law the following among others:

- Conduct of Public Officers.
- Stamp Duty.
- the Ghana Investment Promotion Authority.
- Business Regulatory Reform.
- Public Private Partnership Regulations.

Review of the Stamp Duty Act

Since the enactment of the Stamp Duty Act in 2005 [i.e. some 18 years], the law is yet to be reviewed. Government intends to review the law in 2024 to realign the stamp duty rates and fees with current economic realities, including the expansion of the transaction/payment bands which are subject to ad valorem stamp duty - i.e. stamp duty/tax that is based on the value of the transaction - and upward review of specific rates.

While we agree that the Stamp Duty Act requires reviewing, we expect the review to not only cover review of rates and fees and expansion of the bands but should among others also cover matters such as:

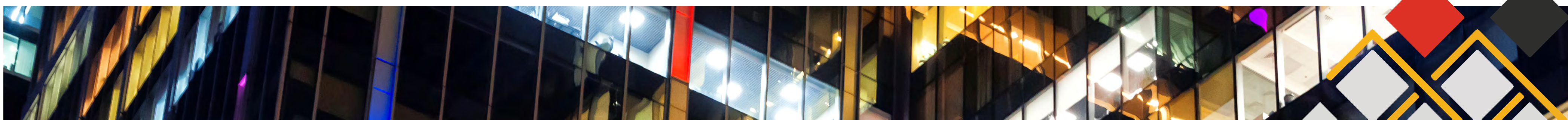
- simplification of the law in general including the first schedule which is particularly complex
- strengthening compliance levels including enforcement at the MMDA levels.
- clear and unambiguous determinative provisions on property valuation which forms the basis of the duty.
- Ghana Revenue Authority playing a more prominent role in ministration of the law than it currently does.
- inclusion of explanation notes to the law.

The Business Regulatory Reform

The Business Regulatory Reform ("BRR") Bill is part of the Government's Agenda for Economic and Industrial Transformation. The BRR programme seeks to improve the quality and transparency of regulatory administration in Ghana, create a predictable business regulatory environment conducive for private sector development, and make Ghana the most business-friendly country in Africa. The components of the BRR programme include:

- Targeted Business Environment reforms.
- Public Private Dialogue (PPD) Mechanism
- Electronic Registry of Business Laws and Regulations.
- Portal for public Consultations on Business.
- Rolling Review of Business Laws and Regulations.
- Targeted Regulatory Relief for SMEs and
- Regulatory Impact Assessment.

This is a good initiative and can propel growth, especially in the private sector. Nonetheless, for this programme to achieve its ultimate purpose and truly make Ghana the most business friendly, Government should consider the development of key infrastructure that businesses will require alongside this programme.



Ghana Investment Promotion Authority (GIPC) Act

The GIPC Act amendment Bill proposes changes to the existing Act to empower the institution to play a more critical role in attracting investment and establish an investment grievance resolution mechanism. The Bill is considering reviewing provisions relating to the name of the institution, the governance structure, registrations, minimum foreign capital amendment, technology transfer agreements, investment guarantees, offences, penalties, and definitions. The proposed new law seeks to be in harmony with other laws such as the Exemptions Act 2022 (Act 1083) and the Public Financial Management Act 2016 (Act 921). It is expected that the changes will place Ghana in a more competitive position to attract more Foreign Direct Investment (FDI) than before.

While the focus of the changes proposed to the GIPC Act is welcoming, we expect the changes to go beyond Government's proposals to cover matters such as:

1. the retrospective approval of technology transfer agreements to the dates those agreements were submitted.
2. flexibility as to the contents of these technology agreements including the applicable laws of the agreements.
3. removal of caps/thresholds placed on some payment types while empowering resident persons to ensure the prices and fees agreed are consistent with the arm's length price principles.

The Conduct of Public Officers Act

The Conduct of Public Officers Bill will be submitted to Parliament for passage into law once Cabinet is done reviewing the said Bill. The proposed law seeks to address current weaknesses in the asset declaration system. The new Act will introduce provisions that ensure timely submission of asset declarations by public officers and the institution of an effective verification system in place. Government is also committed to ensuring the implementation of the second phase of the National Anti-Corruption Action Plan (NACAP) to foster public accountability and transparency.

The Constitution of Ghana clearly sets out a code of conduct for public officers including asset declaration. The Public Office Holders Declaration of Assets and Disqualification (POHDAD) ACT 1998 (Act 550) has been in existence for a very long time and yet compliance levels have been very low and it is immediately clear if the proposed reforms will lead to increased compliance levels, transparency and greater accountability.

4

Tax matters

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Direct taxes

Introduction

The Government's Medium-Term Revenue Strategy ("MTRS") for direct taxes aims to expand the tax base and minimise tax avoidance. Additionally, there is a focus on reviewing and redesigning existing legislation concerning the taxation of income derived from online transactions to ensure a progressive tax system. Historically, the Government concentrated its income tax mobilisation efforts on the formal sector. However, these efforts have not generated sufficient revenue to support the country's development agenda. The reliance on income tax from the formal sector has led to a distorted tax base that overlooks a substantial portion of Ghana's economic activity, particularly in the informal sector. Despite this, Government has not been able to design an effective mechanism to ensure that persons in the informal sector contribute their fair share to the Treasury, especially in terms of income taxes.

Looking ahead, the Government anticipates that by the close of 2023, total direct tax revenue will amount to GH¢51.84 billion, slightly below the budgeted amount of GH¢52.88 billion, reflecting an adverse variance of 2% (GH¢1.04 billion).

In 2024, the Government is targeting direct tax revenues of GH¢65.81 billion, representing a 26.95% growth over the projected outturn for 2023. To realise this revenue target, various tax policy measures have been introduced to complement existing strategies. The proposed direct tax policy measures include the following:

Commissioner-General's certified invoice as basis for income tax deduction

Government proposes to make the Commissioner-General's certified invoice the basis for all deductible expenses for income tax purposes.

Commentary

This initiative initially surfaced through an internal memo in 2021, in which the Ghana Revenue Authority ("GRA") instructed staff to only approve corporate income tax deductions beyond GH¢2,000 if they were supported by Value Added Tax ("VAT") invoices. However, this was met with resistance from taxpayers for a number of reasons, including the fact that not every business is registrable for VAT purposes and therefore the implementation of such a measure was bound to be problematic. Taxpayers also argued that the directive contradicts existing provisions of the Income Tax Act, 2015 (Act 896) as amended, which already outlined rules for deducting business expenses.

This budget proposal, if passed into law, will serve to provide a legal basis for what the GRA memo had intended to achieve. While the GRA has started the implementation of a certified invoicing system, their current focus is on selected VAT registered taxpayers. For this proposal to achieve its intended objectives, it is essential to broaden the scope of the current project to encompass all businesses. Failing to do so could have an adverse impact on smaller businesses who do not need to register for VAT. The crux of the matter lies in whether amending Act 896 to incorporate this new requirement is justified. While the measure may enhance transparency and accountability, it may introduce an additional layer of complexity for taxpayers and also push small enterprises out of business. The Government may also explore other ways of addressing these challenges including providing a reasonable threshold to apply the rule.

Increase in the tax-free band for individuals

Government proposes to adjust the tax-free portion of the personal income tax bands to ensure that the minimum wage for 2024 is tax-exempt.

Commentary

As announced by the Minister of Employment and Labour Relations on 14 November 2023, the national daily minimum wage is expected to increase to GH¢18.15 effective January 2024. This translates into a monthly wage of GH¢490.05 (assuming 27 working days in a month).

On the surface, this proposal reflects a commitment to alleviate the tax burden on low-income earners, particularly those earning the minimum wage. However, the impact on the tax revenue budgeted for 2024 cannot be overlooked. The adjustment in the personal income tax bands means a reduction in the taxable income pool, potentially leading to a decrease in overall tax revenue. Historically, a change in one tax band has resulted in corresponding changes in the other tax bands. Should the Government adopt the same approach, this may bring the net effect of the adjustment of the tax-free portion to nil. Taxpayers should expect changes in the other tax bands as a result of this proposal.

Indirect taxes

The Government's goal for indirect taxes over the medium-term is to develop strategies that boost production capacity and a system of excises that counter the effects of negative externalities associated with some specified products. Proposed policy and administration reforms aim to streamline VAT administration, contributing to an increased share of consumption-based taxes in total tax revenue. The 2024 indirect tax budget proposals appear to be in line with this strategy with a number of reliefs geared towards promoting local production.

The provisional performance for indirect taxes for the first eight months of 2023 amounted to GH¢37.12 billion, slightly below the programmed GH¢37.37 billion. Although revenue from international trade taxes, NHIL, and GETFL exceeded projections, minor shortfalls in excise duties, VAT, CHRL, CST, and E-Levy collections resulted in the failure to meet the programmed outturn for the first eight months of indirect tax revenue. The Government aims to collect GH¢62.34 billion in indirect taxes by the end of the year, increase it to GH¢87.43 billion in 2024, and further raise the figure to GH¢147.88 billion by 2027.
The proposed measures in the realm of indirect taxes include:

Continue Implementation of Upfront VAT

Government proposes to continue the implementation of the upfront VAT on imports of VATable goods by unregistered importers.

Commentary

In the 2022 mid-year budget, Government introduced upfront VAT on the importation of VATable goods by unregistered importers. This measure is intended to compel importers to register for VAT and also equalise the tax position of unregistered suppliers to that of their registered peers. According to the Commissioner-General, this initiative, which commenced on 6 June 2023, pushed an additional 3,600 businesses to register for VAT by 30 July 2023. The GRA was also able to collect an amount of GH¢78 million as upfront VAT within the same period. The continuous implementation of this measure is expected to increase Government revenue and drive a culture of compliance among businesses.

VAT flat rate of 5% on commercial properties

Government has proposed to replace the 15% standard VAT rate, on commercial properties, with a VAT flat rate of 5%.

Commentary

Government intends to revise the VAT rate applicable to the supply of commercial properties from the standard 15% rate to a flat rate of 5%. This is expected to apply to the lease, sale, transfer, and other forms of supply of commercial space and property.

Under the current tax laws, the VAT flat rate only applies on qualifying goods and these goods are also exempt from NHIL and GETFL. However, no such exemption exists with regards to CHRL. This leaves open the possibility of some supplies of commercial property (such as leases) being subjected to all NHIL, GETFL and CHRL in addition to the 5% VAT flat rate.

Depending on how the enabling legislation is drafted and the law implemented, there could be an effective tax (NHIL, GETFL, CHRL and VAT) rate of 6%, 11% or 11.3% on the supply of commercial property. This proposal has the potential of making Ghana's already complex VAT regime, even more complex.

Going forward, we expect that suppliers of commercial property will also be denied input tax deductibility for the VAT they incur in constructing and operating commercial property. The input VAT incurred is likely to be passed on to the end consumer as an additional cost. In effect, we note the possibility of price increases in the supply of commercial property instead of the relief anticipated by the Government.

In line with the High Court ruling in the case of Hon. Clement Apaak vs. Ghana Revenue Authority, we expect that input tax credits that are accumulated by suppliers of commercial property before the effective date of this measure will be deductible after the coming into force of this measure until they are fully exhausted.

Review of VAT exemptions

Government has indicated its intention to review VAT exemptions to reduce distortions and abuses in the system.

Commentary

In the MTRS, a review of VAT exemptions was highlighted as part of the revenue measures, and Government intends to implement it soon.

Currently, the VAT Act exempts vital goods and/or services related to education, health, and food. Other exempt items such as accommodation, financial services, and fuel, are also considered essential. Government's decision to review the exemptions is one that has to be carried out very carefully. Any adverse price increases, as a result of taxes on vital or essential goods or services will have a negative impact on the most vulnerable in society.

Extension of zero rate VAT on locally manufactured textiles and locally assembled vehicles

Government proposes to extend existing zero-rating on locally manufactured textiles and locally assembled vehicles for two more years.

Commentary

Under the second schedule to the VAT Act, the supply of textiles by a local manufacturer and the supply of locally assembled vehicles under the Ghana Automotive Development Programme ("GADP") are zero-rated for VAT purposes. This zero-rate concession was, however, set to expire on 31 December 2023. With this measure, the Government seeks to extend the concession given to the textile and vehicle manufacturing industries to 31 December 2025. The initial concessions played a crucial role in bringing stability to the local textile industry, enabling it to effectively compete with imported textiles. The extension is expected to consolidate the gains achieved in the textiles industry, which would otherwise have been in decline due to competition from counterfeit and smuggled substitutes. Additionally, the extension will likewise afford the automotive manufacturing industry the space to establish itself as a fully integrated and competitive industrial hub for automotive assembly in the West African sub-region.

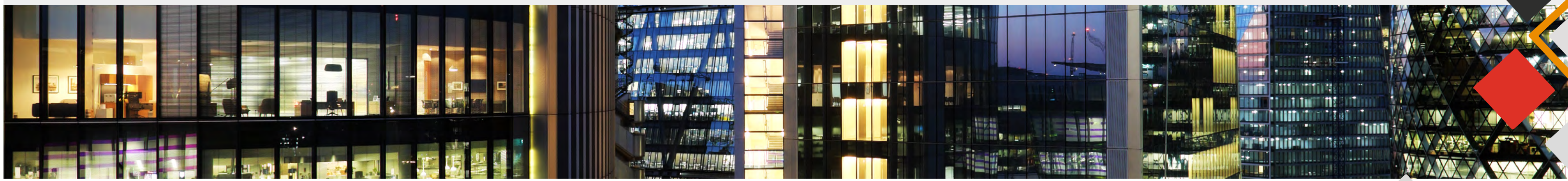
Import duty waiver with respect to Electric Vehicles

Government has proposed the waiver of import duties on electric vehicles ("EV") used for public transportation, as well as semi-knocked down and completely knocked down EV units imported by registered EV assemblers for a period of 8 years.

Commentary

These are bold measures the Government seeks to take as part of Ghana's climate agenda through the use of clean energy and the reduction of greenhouse emissions.

Considering the high cost of electric vehicles, these measures will help to make them affordable in Ghana while also growing the Ghana Automotive Development Policy. Since the exemption for fully assembled EVs pertains only to those that will be used for public transportation, what constitutes 'public transportation' will have to be clearly defined in the enabling law.



Zero rate VAT on locally produced sanitary pads and import duty waivers on raw materials used in its production.

Government has proposed to zero-rate locally produced sanitary pads as well as grant waivers on the importation of raw materials for the production of sanitary pads.

Commentary

This proposal is a response to extensive advocacy over the years calling for a decrease in the taxes on sanitary pads. The call intensified in June 2023, when activists staged the “Don’t Tax My Period” parade and placard march in the streets of Accra.

Currently, sanitary products are subject to an import duty of 20% and VAT with levies of 21.9%. This proposal signals a strategic effort by the Government to address a pressing social issue while fostering local industry growth. The commendable aspect of this proposal lies in its indefinite timeline, a departure from other zero-rated VAT supplies that were restricted to a two- or three-year duration. The waiving of import duties on raw materials is expected to reduce production costs for sanitary pad manufacturers, enabling them to offer their products at more competitive prices. In addition, a zero-rate VAT will reduce the final retail price and make sanitary pads more accessible to a broader segment of the population.

We expect Government to monitor the effective implementation of these measures to ensure that the intended benefits reach both manufacturers and consumers. Additionally, the success of the initiative may depend on the ability of local manufacturers to scale up production to meet the increased demand for locally produced pads resulting from reduced prices.

Exemptions on the importation of agricultural machinery equipment and inputs, medical consumables, and raw materials for the pharmaceutical industry

Government proposes to grant exemptions on the importation of agricultural machinery, equipment, inputs, medical consumables and raw materials for the pharmaceutical industry.

Commentary

Currently, the VAT Act exempts a broad range of agricultural machinery, pharmaceutical raw materials and products, as well as medical supplies.

However, many of these goods still suffer import duties, though at reduced rates of 5% and 10%. This measure from the Government is aimed at aligning its policy to avoid taxes on goods that are needed for the health and nutrition of the citizenry.

Review and expansion of environmental excise duty

Government has indicated its intention to expand environmental excise duty to cover plastic packaging, and industrial and vehicle emissions.

Commentary

In 2011, the Government of Ghana introduced an excise duty of 20% on the ex-factory price (or CIF value for imports) of polythene bags and other plastic packaging materials (excluding packaging for water and mineral water) under Act 512. Subsequently, Act 512 was amended by the Customs and Excise (Duties and Other Taxes) (Amendment) Act, 2013 (Act 863) to introduce a 10% Environmental Excise Tax on semi-finished and raw plastic materials, as well as certain plastic products (including polythene bags), as listed under chapters 39 and 63 of the HS code.

Currently, the Excise Duty Act, 2014 (Act 878) as amended, provides for a 10% excise duty on plastic and plastic products (including packaging such as polythene bags). It is uncertain which additional plastic products Government seeks to bring into the excise duty net or whether Government is seeking to increase the rate from the current 10%.

This policy, however, aligns with Government's growing environmental awareness and commitment to reducing greenhouse gas emissions, as evidenced by Ghana's ratification of the Paris Agreement.

Government also intends to introduce a form of carbon tax on emissions from industries and vehicles. It remains to be seen what form these will take and how acceptable they will be to the populace. An earlier tax known as the Luxury Vehicle Levy, which was introduced in August 2018, was withdrawn a year later following a public outcry. A tax on vehicle emissions may be seen as a rebrand of the luxury vehicle levy.

Review of the VAT and Customs Legislation to align the VAT status of certain products

Government intends to review the VAT and Customs legislation to streamline the application of VAT on some products.

Commentary

Currently, a number of goods enjoy VAT exemption on importation though they are not exempted under the first schedule of the VAT Act. This is in part due to the Economic Management Team's decision which was communicated in a Ministry of Information letter dated 21 March 2018. This letter instructed the Customs Division of GRA to suspend the charging of VAT on 64 commodity groups including mobile phones, solar cells and musical instruments.

It is expected that once the measure is implemented, items within these commodity groups will be subjected to VAT upon importation or exempted from VAT when supplied locally.

Review of the excise duty rate on beer

Government intends to review the excise duty on beer.

Commentary

Government has noted some distortions in the application of the excise rates on beer and seeks to rectify it.

The current excise duty on beer ranges from 10% to 47.5% depending on the percentage of local raw materials used in the production of the beer product. This means that the excise duty rate on a bottle of alcoholic beer could be less than what is applicable on a bottle of locally produced mineral water, fruit juice or non-alcoholic beer which attract an excise duty rate of 20%. We expect that the review will aim to correct this.

Tax administration and other revenue measures

As part of the MTRS, the Government has committed to achieve a Tax-to-GDP ratio of about 20% and also increase non-tax revenue to GDP to 4%. Government intends to achieve this by creating a robust revenue administration to encourage voluntary compliance. Government has also committed to invest in people and systems, educate and engage taxpayers throughout the compliance spectrum.

The provisional performance for tax revenue for the eight months in 2023 amounts to GH¢63.47 billion, slightly below the programmed GH¢65.03 billion, resulting in an adverse variance of GH¢1.56 billion that accounts for about 57.73% of the shortfall (GH¢2.69 billion) in domestic revenues for the first eight months of the year. The Government anticipates tax revenues of GH¢107.65 billion by the close of 2023, against a mid-year revised budget of GH¢108.48 billion, reflecting an adverse variance of GH¢0.83 billion or 0.77% of the revised budget for 2023.

In response to post-pandemic economic challenges, the 2024 Budget proposes administrative measures to be implemented by the Government to enhance revenue generation, improve efficiency, and reduce revenue leakages in tax administration. These measures, alongside other fiscal policies, are designed to assist the Government in achieving its tax revenue target of GH¢143.17 billion for the year 2024. The Government aims to boost revenues by incorporating the informal sector and improving overall compliance. The tax administration and other revenue measures proposed in the 2024 Budget include:

Introduction of a simplified tax return for Individuals in the Informal sector

Government intends to introduce a simplified tax return as a means of promoting voluntary compliance for individuals.

Commentary

Over the years, various stakeholders have advocated for a widening of the tax net as a means of increasing the country's tax revenue. Widening the tax net would involve taxing individuals and SMEs in the informal sectors of the economy. Self-employed persons and businesses in the informal sector have often cited the complexity of the tax laws and returns as reasons for not being able to voluntarily comply with the tax laws.

To address this challenge, the Income Tax Act, 2015 (Act 896) as amended introduced a modified taxation system which provides for a simpler way for individuals to comply with the tax law by imposing a presumptive tax of 3% on annual turnover. It also allows businesses in the informal sector to apply the modified cash basis in calculating income from their business. The scheme has, however, not been fully implemented. The introduction of simpler tax return may be the Government's way of taking a step towards implementation.

Second phase of electronic invoicing system (e-VAT)

Government has launched the second phase of the electronic VAT invoicing system (e-VAT) registration and expects to cover six hundred large taxpayers and more than two thousand small and medium taxpayers.

Commentary

In September 2022, an amendment to the VAT Act (Act 1082) introduced electronic tax invoices or sales receipts from a Certified Invoicing System (CIS) as the only approved VAT invoices. Since then, the GRA has been working with selected taxpayers to certify their invoicing system and connect with the GRA.

In the second phase, we expect the GRA to learn from the experiences of the first phase and make the process seamless. It will be helpful to have clarity and realistic timelines on when the e-VAT project can be completed especially for large taxpayers and multinationals with complex accounting and invoicing systems.

Signing of bilateral agreements to boost exchange of information and operationalisation of Special Voluntary Disclosure Programme

Government will sign bilateral agreements with its major trading partners to boost exchange of information in customs operations and also operationalise the Special Voluntary Disclosure Programme (SVDP) in 2024.

Commentary

Exchange of information in customs is expected to assist in reducing tax evasion practices such as under-declaration and the presentation of fictitious invoices to tax authorities. Ghana's current major trading countries include China, Switzerland, India, South Africa, the Netherlands, India, USA and the United Arab Emirates. Information such as the declared export value and local sale value (in the partner countries) of imported items are expected to be exchanged. Data obtained by the GRA through these agreements will likely inform additional post clearance audits where the GRA perceives a disparity between the information obtained and that declared by importers.

The implementation of SVDP will provide the opportunity for taxpayers to review their tax compliance and make the necessary amendments voluntarily. If the programme is to be successful, Government will need to provide some incentive to encourage taxpayers to voluntarily disclose. In the past, this has been done by waiving penalty and interest through amnesty programs. The most recent voluntary disclosure programme was introduced by the Penalty and Interest Waiver Act, 2021 (Act 1065) as amended which waived penalty and interest on accumulated tax arrears on previous years up to 31st December, 2020.

Implementation of the Communications Service Tax (CST)

Government to expand the implementation of CST through a phased approach.

Commentary

Government intends to expand the implementation of CST in a phased manner with the aim of improving the overall compliance and administration of the Act. Although the CST Act has been operational since 2008, some of the businesses required to charge and account for the tax have not been compliant. Current compliance has largely been limited to the telecommunications industry and some pay TV service providers.

This proposed tax policy is aimed at bridging the implementation gap and bringing non-compliant businesses on board.

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Appendix

Appendix 1

Summary of Central Government Revenue 2023-2024

Government revenue millions of ghana cedis	2023 Revised budget (a)	2023 Proj. Outturn (b)	2024 Budget (c)	Variance (e=c-a)	Variance (f=b-a)	Variance (g=c-b)
Tax revenue	**108,481.76**	**107,648.60**	**143,169.83**	**34,688.07**	**-833.16**	**35,521.23**
Taxes on income and property	**52,875.52**	**51,835.62**	**65,811.14**	**12,935.63**	**-1,039.89**	**13,975.52**
Paye	17,827.06	16,356.31	21,641.42	3,814.37	-1,470.74	5,285.11
Self employed	912.98	912.98	1,612.68	699.71	0.00	699.71
Companies	22,741.19	22,741.19	28,587.58	5,846.40	0.00	5,846.40
Company taxes on oil	3,702.89	3,428.60	4,274.66	571.78	-274.29	846.06
Others	7,691.41	8,396.55	9,694.79	2,003.38	705.14	1,298.24
Other direct taxes	5,144.00	6,341.14	6,693.65	1,549.66	1,197.14	352.51
O/w royalties from oil	2,169.04	2,029.11	2,976.26	807.22	-139.92	947.14
O/w mineral royalties	2,564.50	2,504.97	3,063.89	499.39	-59.53	558.92
Growth and sustainability levy	1,111.28	585.04	1,183.60	72.32	-526.25	598.57
Finsec clean-up levy	228.06	366.53	448.31	220.25	138.47	81.78
Airport tax	1,208.07	1,103.84	1,369.22	161.15	-104.23	265.38
Taxes on domestic goods and services	**47,572.63**	**47,015.58**	**68,933.24**	**21,360.61**	**-557.05**	**21,917.66**
Excises	**6,520.75**	**6,312.91**	**9,253.36**	**2,732.61**	**-207.84**	**2,940.45**
Excise duty	1,391.75	1,284.29	2,433.11	1,041.36	-107.45	1,148.81
Petroleum tax	5,129.01	5,028.61	6,820.25	1,691.25	-100.39	1,791.64
O/w energy fund levy	63.54	53.07	64.91	1.37	-10.47	11.84
O/w road fund levy	2,651.64	2,362.76	2,889.94	238.30	-288.88	527.19
Vat	**26,180.03**	**26,198.00**	**37,019.86**	**10,839.83**	**17.97**	**10,821.86**
Domestic	16,096.69	15,875.05	24,127.13	8,030.44	-221.64	8,252.08
External	10,083.34	10,322.95	12,892.73	2,809.40	239.61	2,569.79
National health insurance levy (NHIL)	**5,129.01**	**5,112.39**	**7,932.33**	**2,803.32**	**-16.62**	**2,819.94**
Customs collection	2,051.60	1,651.47	3,070.93	1,019.33	-400.13	1,419.46
Domestic collection	3,077.40	3,460.92	4,861.40	1,783.99	383.51	1,400.48
Getfund levy	**5,129.01**	**5,113.45**	**7,932.33**	**2,803.32**	**-15.56**	**2,818.88**
Customs collection	2,051.60	1,652.53	3,072.23	1,020.62	-399.07	1,419.70
Domestic collection	3,077.40	3,460.92	4,860.10	1,782.70	383.51	1,399.18
Communication service tax	938.05	734.82	1,520.47	582.42	-203.23	785.66
E-transaction levy	1,111.28	1,032.21	2,101.96	990.67	-79.08	1,069.75
Covid-19 health levy	2,564.50	2,511.81	3,172.93	608.43	-52.69	661.12

Government revenue millions of ghana cedis	2023 Revised budget (a)	2023 Proj. Outturn (b)	2024 Budget (c)	Variance (e=c-a)	Variance (f=b-a)	Variance (g=c-b)
Taxes on international trade	**14,617.67**	**15,320.22**	**18,498.92**	**3,881.25**	**702.55**	**3,178.70**
Imports	**14,617.67**	**15,320.22**	**18,498.92**	**3,881.25**	**702.55**	**3,178.70**
Import duty	14,617.67	15,320.22	18,498.92	3,881.25	702.55	3,178.70
Tax refund	**-6,584.05**	**-6,522.82**	**-10,073.47**	**-3,489.42**	**61.23**	**-3,550.65**
Social contributions	**666.77**	**663.51**	**919.98**	**253.21**	**-3.26**	**256.47**
Ssnit contributions to nhil	666.77	663.51	919.98	253.21	-3.26	256.47
Non-tax revenue	**17,769.46**	**17,595.39**	**22,565.16**	**4,795.70**	**-174.07**	**4,969.77**
Retention	10,627.62	10,606.57	12,339.43	1,711.81	-21.04	1,732.86
Lodgement	7,141.84	6,988.82	10,225.73	3,083.89	-153.02	3,236.91
Fees & charges	941.89	930.14	1,625.49	683.60	-11.76	695.35
Dividend/interest & profits (others)	403.69	233.51	644.06	240.37	-170.18	410.55
Dividend/interest & profits from oil	5,618.34	5,537.32	7,716.72	2,098.38	-81.01	2,179.39
Surface rentals from oil/phf interest	8.38	53.55	10.60	2.22	45.17	-42.95
Property rate collection	0.00	0.00	0.00	0.00	0.00	0.00
Yield from capping policy	169.55	234.30	228.86	59.32	64.75	-5.43
Other revenue	**5,520.43**	**5,493.44**	**6,644.31**	**1,123.89**	**-26.99**	**1,150.87**
Esla proceeds	5,520.43	5,493.44	6,644.31	1,123.89	-26.99	1,150.87
Energy debt recovery levy	2,658.84	2,631.85	3,874.37	1,215.54	-26.99	1,242.52
Public lighting levy	257.01	257.01	238.10	-18.91	0.00	-18.91
National electrification scheme levy	171.46	171.46	159.52	-11.94	0.00	-11.94
Price stabilisation & recovery levy	802.16	802.16	1,065.33	263.17	0.00	263.17
Delta fund	1,108.71	1,108.71	858.71	-250.00	0.00	-250.00
Pollution and sanitation levy	522.25	522.25	448.27	-73.98	0.00	-73.98
Domestic revenue	**132,438.42**	**131,400.95**	**173,299.28**	**40,860.86**	**-1,037.47**	**41,898.34**
Grants	**2,474.19**	**2,474.19**	**3,114.87**	**640.68**	**0.00**	**640.68**
Project grants	1,887.09	1,887.09	2,388.55	501.47	0.00	501.47
Programme grants	587.10	587.10	726.32	139.22	0.00	139.22
Total revenue & grants	**134,912.61**	**133,875.13**	**176,414.16**	**41,501.55**	**-1,037.47**	**42,539.02**

Appendix 2

Summary of Central Government Expenditure 2022-2023

EXPENDITURE	2023 Revised Budget (A)	2023 Proj. Outturn (B)	2024 Budget (C)	Variance (E=C-A)	Variance (F=B-A)	Variance (G=C-B)
Compensation of Employees	51,346	51,212	63,683	12,336.89	-134.37	12,471.26
Wages and Salaries	45,021	44,886	57,005	11,984.89	-134.37	12,119.26
Social Contributions	6,326	6,326	6,678	352.00	0.00	352.00
Pensions	1,879	1,879	2,564	684.50	0.00	684.50
Gratuities	452	452	385	-67.24	0.00	-67.24
Social Security	3,994	3,994	3,729	-265.27	0.00	-265.27
Use of Goods and Services	8,579	11,811	11,065	2,486.57	3,232.46	-745.88
o/w ABFA	6,888	9,741	8,654	1,766.23	2,852.43	-1,086.20
o/w Non-ABFA	1,691	2,071	2,411	720.34	380.02	340.32
Interest Payments	44,866	34,773	55,932	11,066.20	-10,093.42	21,159.63
Domestic	27,797	25,065	36,893	9,096.32	-2,731.57	11,827.89
External (Due)	17,070	9,708	19,039	1,969.88	-7,361.85	9,331.73
Subsidies	351	211	426	75.58	-139.33	214.92
Subsidies on Petroleum Products	351	211	426	75.58	-139.33	214.92
Grants to Other Government Units	30,996	28,868	39,589	8,592.66	-2,128.38	10,721.04
National Health Fund (NHF)	4,272	4,089	6,523	2,251.03	-183.07	2,434.10
Education trust Fund	2,381	2,316	3,274	892.32	-65.53	957.85
Road Fund	1,076	1,068	1,193	116.63	-8.26	124.89
Energy fund	26	26	27	1.00	-0.20	1.20
Dist. Ass. Common Fund	4,332	4,335	5,758	1,426.64	3.88	1,422.76
o/w ABFA	282	186	402	120.06	-95.56	215.61
Ghana Infrastructure Fund (ABFA Capex)	789	745	1,125	336.16	-44.11	380.26
Retention of Internally Generated Funds (IGFs)	10,628	10,607	12,339	1,711.81	-21.04	1,732.86
Transfer to GNPC from Oil revenue	1,399	1,389	1,444	44.16	-10.75	54.91
Other Earmarked Funds	6,093	4,294	7,906	1,812.90	-1,799.30	3,612.20
Youth Employment Agency	416	374	681	264.59	-42.40	306.99

Appendix 2

Summary of Central Government Expenditure 2023-2024

EXPENDITURE	2023 Revised Budget (A)	2023 Proj. Outturn (B)	2024 Budget (C)	Variance (E=C-A)	Variance (F=B-A)	Variance (G=C-B)
Student's Loan Trust	4	4	6	2.47	-0.03	2.50
Export Development Levy	387	389	508	120.90	2.03	118.87
Ghana Airport Authority	1,208	1,104	1,369	161.15	-104.23	265.38
Mineral Development Fund	208	207	253	44.76	-1.60	46.35
Mineral Income Investment Fund	833	826	1,012	179.03	-6.39	185.42
GRA Retention	3,035	1,388	4,078	1,042.44	-1,646.66	2,689.10
Plastic Waste Recycling Fund	2	2	0	-2.43	-0.02	-2.42
Social Benefits	545	395	870	324.93	-150.00	474.93
Lifeline Consumers of Electricity	150	0	150	0.00	-150.00	150.00
Transfers for Social Protection	395	395	720	324.93	0.00	324.93
Other Expenditure	26,740	27,085	26,395	-344.89	344.70	-689.59
ESLA Transfers	3,087	3,087	4,911	1,823.89	0.00	1,823.89
Energy Sector Payment Shortfalls	23,653	23,997	17,484	-6,168.78	344.70	-6,513.48
Finsec Bailout Cost & Others	0	0	4,000	4,000.00	0.00	4,000.00
Capital expenditure	20,441	18,614	28,720	8,278.91	-1,827.19	10,106.10
Domestic Financed	10,538	9,395	18,239	7,701.11	-1,142.82	8,843.93
o/w MDAs Non-ABFA CAPEX	7,664	7,664	14,140	6,476.54	0.00	6,476.54
o/w MDAs ABFA CAPEX	2,874	1,731	4,099	1,224.58	-1,142.82	2,367.40
o/w ABFA-Financed Accra Tema Motorway Project	0	0	1,669	1,669.14	0.00	1,669.14
Foreign financed	9,903	9,219	10,481	577.80	-684.37	1,262.17
TOTAL EXPENDITURE	183,864	172,968	226,681	42,816.86	-10,895.54	53,712.40
APPROPRIATION	206,007	194,530	259,052	53,045.56	-11,476.84	64,522.40
Total Expenditure	183,864	172,968.50	226,680.90	42,816.86	-10,895.54	53,712.40
Arrears (net change)	6,000	6,000	11,613	5,613.00	0.00	5,613.00
Amortisation	16,143	15,562	20,759	4,615.70	-581.29	5,196.99

Appendix 3

Fiscal Performance Statement

	2024 Budget	2023 Proj. Outturn	% of GDP (2024)	% of Expenditure (2023)
REVENUE				
DOMESTIC REVENUE	173,299.28	131,400.95	16.49%	76.45%
Tax revenue	143,169.83	107,648.60	13.62%	63.16%
Taxes on income & property	65,811.14	51,835.62	6.26%	29.03%
Taxes on domestic goods and services	68,933.24	47,015.58	6.56%	30.41%
Taxes on international trade	18,498.92	15,320.22	1.76%	8.16%
Tax refund	-10,073.47	-6,522.82	-0.96%	-4.44%
Non - tax revenue	22,565.16	17,595.39	2.15%	9.95%
Social contributions	919.98	663.51	0.09%	0.41%
Other revenue	6,644.31	5,493.44	0.63%	2.93%
GRANTS	3,114.87	2,474.19	0.30%	1.37%
TOTAL REVENUE	176,414.16	133,875.13	16.79%	77.82%
EXPENDITURE				
Compensation of employees	63,683.18	51,211.92	6.06%	28.09%
Use of goods and services	11,065.40	11,811.28	1.05%	4.88%
Interest payments	55,932.45	34,772.82	5.32%	24.67%
Subsidies	426.13	211.21	0.04%	0.19%
Grants to other government units	39,588.95	28,867.91	3.77%	17.46%
Social benefits	870.00	395.07	0.08%	0.38%
Other Expenditure	26,395.02	27,084.61	2.51%	11.64%
Capital Expenditure	28,719.77	18,613.67	2.73%	12.67%
TOTAL EXPENDITURE	226,680.90	172,968.50	21.57%	100.00%
Overall Balance	-50,266.74	-39,093.36	-4.78%	-22.18%
Arrears clearance	-11,613.00	-6,000.00	-1.10%	-5.12%
Discrepancy	0.00	0.00	0.00%	0.00%
(Fiscal deficit)/ balance	-61,879.74	-45,093.36	-5.89%	-27.30%
Financed by:				
Foreign borrowings			0.00%	0.00%
Domestic borrowings			0.00%	0.00%
Other financing			0.00%	0.00%
Ghana petroleum funds			0.00%	0.00%
Sinking fund			0.00%	0.00%
Contingency fund			0.00%	0.00%

Appendix 4

Pre-budget survey questions

1. Are you confident the budget will include the measures needed to achieve the 2024 fiscal performance targets in the IMF-supported PC-PEG (Post-COVID Programme for Economic Growth)?

   Yes No

2. The IMF-supported PC-PEG targets a primary balance (commitment basis) of 0.5% GDP in 2024. Being an election year, will Government meet it?

   Very likely Not likely

3. In the IMF-supported PC-PEG, Government aims to raise revenue from 16.8% of GDP (2023) to 17.3%. Which sector must Government target more for this?

   Formal Informal

4. Do you believe Government will enable the Ghana Mutual Prosperity Dialogue to generate enough momentum to achieve the 2024 economic growth targets?

   Yes No Not sure

5. Are you confident Government will reach binding agreements with external creditors by the end of 2023 to enable smooth budget execution in 2024?

   Formal Informal

Appendix 5

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Research and insights

Make informed decisions, stay ahead of policies

Government policies hold the key to driving economic growth and we understand the importance of staying informed and prepared for the changes brought about by the national Budget and Government policies. With PwC, you'll have a trusted adviser to guide you through the complexities of the Budget, offering tailored solutions for your business. Our range of services have been designed to provide you with the knowledge, strategies, and support needed to navigate the complexities of the Budget and Government policies whilst leveraging opportunities. We can assist with:

- A customised Budget analysis and training workshop: This workshop is designed to break down the national Budget's key aspects and how it relates specifically to your business while empowering your team with the knowledge and skills needed to implement Budget-related strategies effectively.
- Policy impact assessment: Our experts will assess the impact of Government policies on your business operations, taxation, and compliance requirements. We'll provide recommendations on how to adapt and optimise your strategies accordingly.
- Customised strategy with recommendations for optimising tax planning, investments, and risk management based on the Budget provisions.
- Regulatory Compliance: We will guide you through the latest tax laws, financial regulations, and reporting requirements, ensuring you remain compliant while minimising risks.
- Proactive advisory and consultation to take advantage of available incentives and deductions.
- Expert insights into the potential opportunities and challenges for your business as well as in-depth analysis of how budget allocations and policies may impact your business and industry.
- Exclusive Post-Budget insights including post-forum resources such as presentation materials, recordings, key takeaways and action points and Q&A sessions.
- Ongoing Support: Our team is available throughout the year to provide ongoing support and keep you informed about any Budget amendments and their impact on your organisation.

To learn more or find out how we can tailor our services to meet your organisation's unique needs, send us an email at gh_pwc_budget_digest@pwc.com

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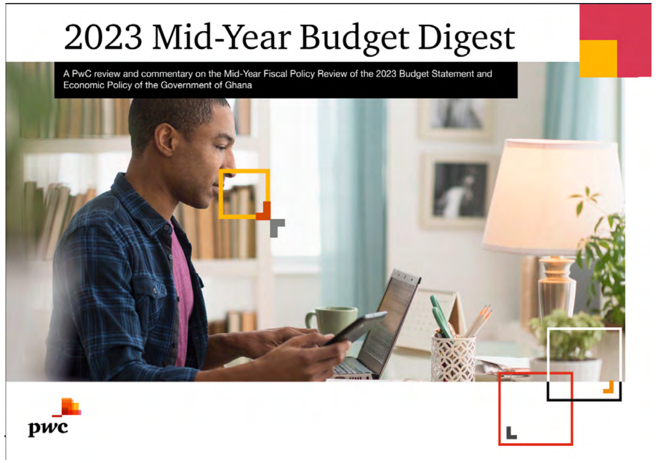
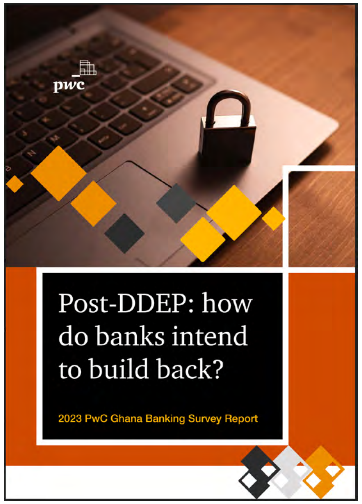
Research and insights from PwC

[Kindly fill a short 2 minute form to give us feedback about this report. Click here to access the link.]

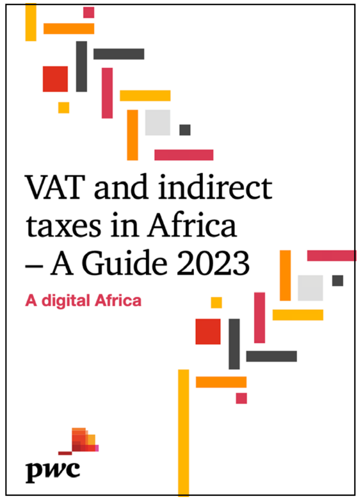


Mid-year Fiscal Policy Review of the Budget Statement and Economic Policy of the Government of Ghana for 2023 (“the Budget”) to Parliament.



This survey seeks to understand the impact of the DDEP on the banking industry and how banks intend to build back, post-DDEP.

The report shares insight about the constantly changing tax environments in Africa that can have a significant impact on business operations.



The report shares insight about the constantly changing tax environments in Africa that can have a significant impact on business operations.

Ghana’s economy in the last few months has seen several changes, including the completion of the Domestic Debt Exchange Programme (DDEP). Read more to understand what happens next.

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Please note that the Budget measures may be subject to amendments during debates in Parliament.
We therefore recommend that you seek professional advice before taking decisions based on these measures.