2024 Budget Highlights

Budget Statement and Economic Policy of the Government of Ghana for the 2024 Fiscal Year

November 2023

Foreword

"Pursuing Growth & Development within a Stable Macroeconomic Environment"

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Senior Partner

The global economy continues to grapple with the lingering effects of the pandemic, geopolitical tensions and uncertainties and aggressive monetary policy tightening. These interconnected shocks have strained global financial conditions, heightened supply chain disruptions, and intensified price pressures. While global headline inflation has been decelerating, the underlying negative impact of price pressures on cost of living remain high, and the pace of the global economic recovery has slowed, with downside risks elevated.

Sub-Saharan Africa's economic outlook remains tenuous amid an elusive growth recovery, rising instability and weak growth in the region's largest economies. All these, coupled with the lingering uncertainty in the global economy are dragging down growth prospects in the region.

Government began implementation of painful policies and programmes to restore macro economic stability following a number of economic challenges. The signs are showing that the economy has began to show signs of recovery amidst the global economic headwinds.

On Wednesday, November 15, 2023, the Minister for Finance, Hon. Ken Ofori-Atta presented the Budget Statement and Economic Policy under the theme; "*Pursuing Growth & Development within a Stable Macroeconomic Environment*" to Parliament on behalf of His Excellency Nana Addo-Dankwa Akufo-Addo.

The Budget seeks to advance the path toward fiscal consolidation, macroeconomic stability, increased growth, currency stability, and disinflation over the medium-term. The broad policy framework underpinning an approach towards recovery and stability with growth include:

- Provision of a pathway towards fiscal consolidation and macro stability
- Setting out a new debt sustainability path by completing the Debt Restructuring Programme
- Implementation of Government's 5-year Growth Strategy with a focus on value addition, export promotion, domestic and foreign investments, agriculture, industry, tourism, textile & garments, and digitalisation
- Disciplined implementation of the 3-year US$3 billion IMF-ECF Programme
- The deepening of democratic development by prioritising resources for institutions to support the conduct of the 2024 General Elections
- Commitment to funding existing projects in roads, rural electrification and rural telephony sectors as well as Infrastructure for Poverty Eradication Programme (IPEP).

In addressing the need for enhanced domestic revenue mobilization, the Government has outlined a series of revenue measures in the 2024 Budget. Some of these measures have the potential of boosting local production capacity and contributing to sustainable development goals.

The budget also proposes some expenditure containment measures with a view of optimising our meagre resources. Some of the measures include amending the Fiscal Responsibility Act, tighter controls on public expenditure and development of a centralised inventory of all ongoing and planned public investment projects.

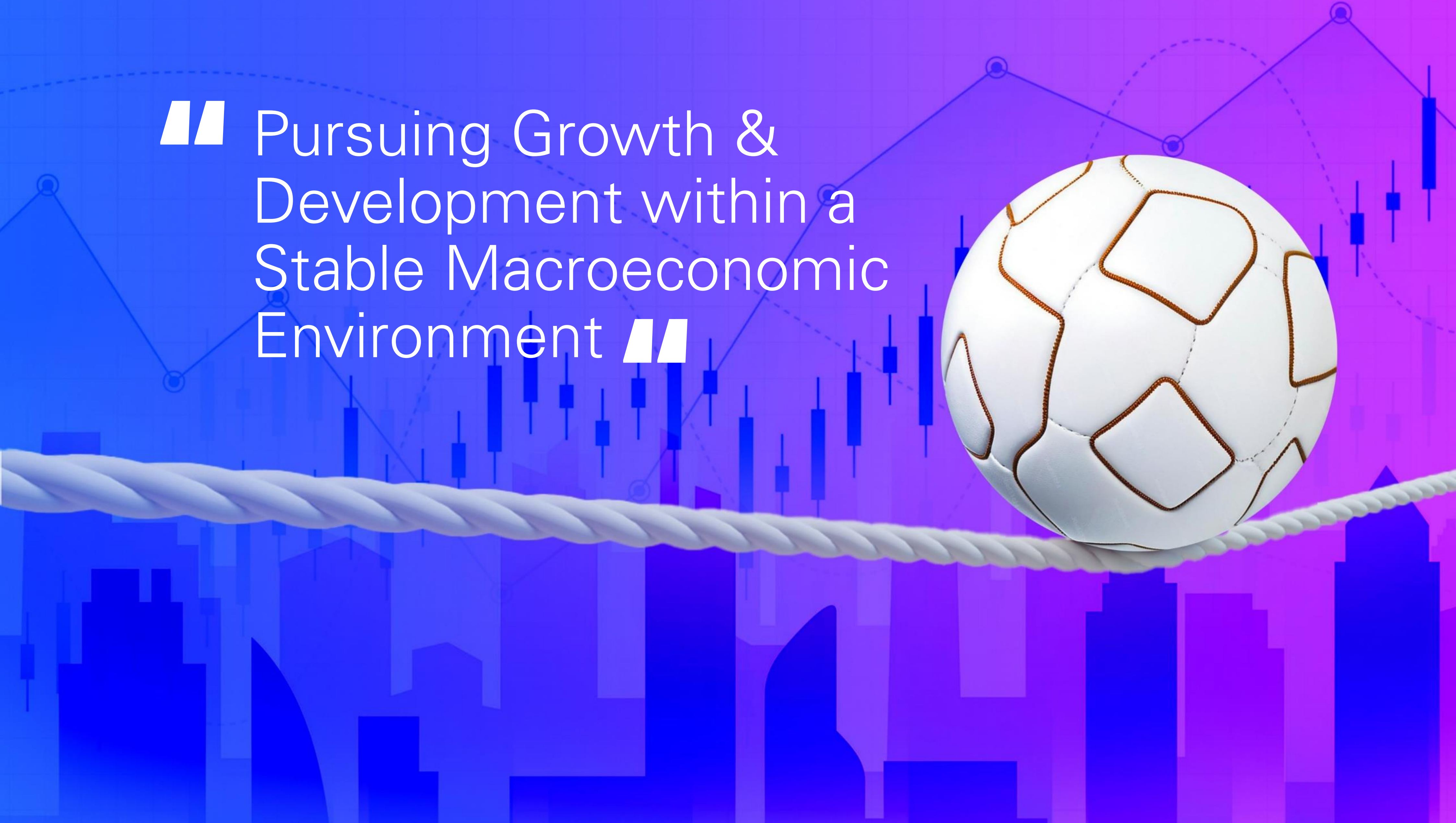
The key initiatives outlined in the budget address some sentiments expressed in our pre-budget survey conducted in October 2023. The survey found that economic factors such as inflation and interest rate, and the tax environment have had a significant negative impact on business performance in 2023. Respondents advocated for fiscal policies that focus on investment in the productive sectors. They also support the Government's efforts to widen the tax net and rationalize expenditures and create sustainable funding for MSMEs.

Ghana's economy is still on the road to recovery and eventual stability. Our collective actions as Government, businesses and individuals with a determined and disciplined approach in our endeavours is imperative on this journey. Let us work together for a stronger and better economy with huge potential for current and future generations.

Contents

2024 Budget Theme

“Pursuing Growth & Development within a Stable Macroeconomic Environment”



Introduction

The 2024 budget is underpinned by the following priorities towards recovery and stability with growth.

01 Aggressively mobilize domestic revenue

02 Streamline and rationalise expenditures

03 Complete debt restructuring programme

04 Promote and diversify exports

05 Promote investment into agriculture, tourism, industry, textiles and garments

06 Promote digitalisation

07 Implement structural and public sector reforms

08 Complete ongoing infrastructure projects and not start new ones

Executive Summary

Executive Summary

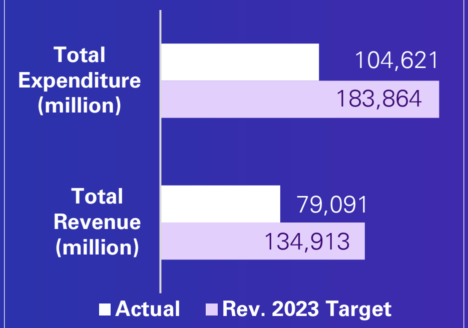
2023 Provisional Outturn

35.2%
Inflation as at October 2023

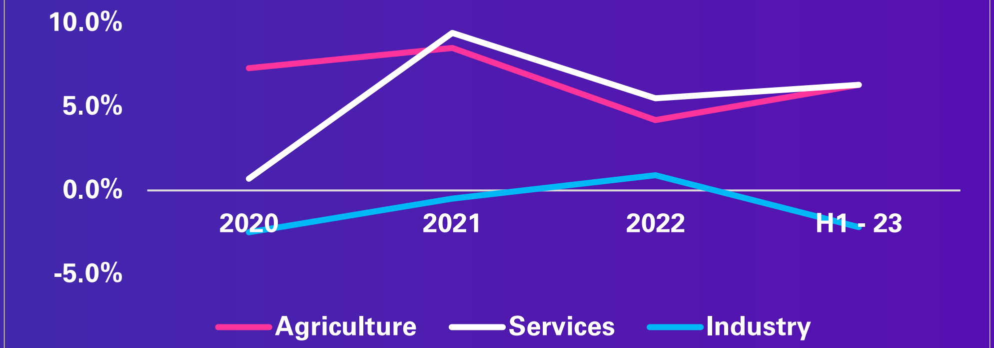
30%
Monetary Policy Rate as at October 2023

3.2%
GDP Growth Rate as at H1 2023

Fiscal Developments (Jan - Aug 2023)



Real Sector Performance



Public Debt Stock Trend

From December 2022 to September 2023, external debts grew significantly at an average rate of 39%, outpacing the 12% average growth in domestic debt, leading to a notable shift in the debt mix. The growth in external debt has been attributed to the Cedi depreciation alongside transactional impacts from multilateral institutions.

2.3 months
Import cover as at Sep. 2023

3.0%
Fiscal Deficit
as at August 2023

Sources: 2024 Budget Statement and Economic Policy

Executive Summary

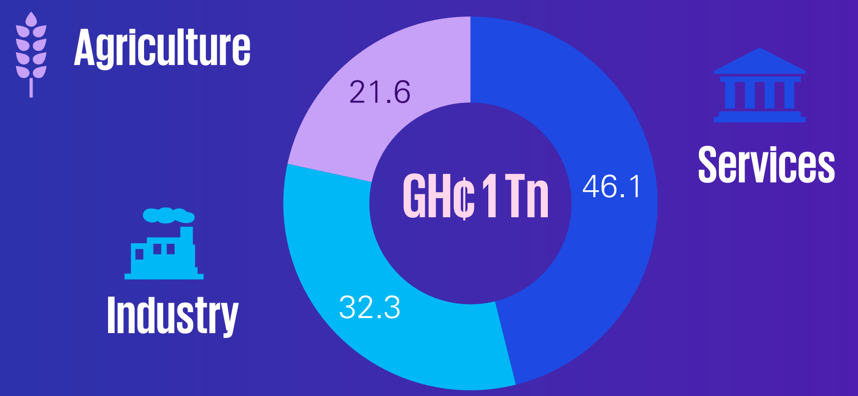
2024 Targets

2.8%
GDP Growth target for 2024

15.0%
Inflation target for 2024

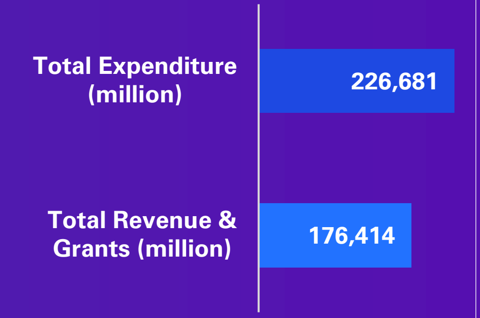
3.0 months
Import cover target for 2024

Sectorial Distribution of Nominal GDP, 2024



In 2024, the Services sector is anticipated to maintain its dominance, making the largest contribution to the national output at 46.1%. Followed by Industry and Agriculture sectors.

Fiscal Targets for 2024

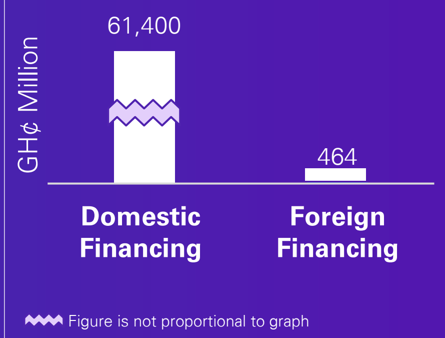


In 2024, the Government plans to spend a significant GHS 226.7 billion, the highest in five years against projected revenue of GHS 178.4 billion resulting in a projected fiscal deficit of 4.8%(on commitment basis).

Gross Tax Revenue Breakdown (GH¢ bn)

GH¢153.3bn
Targeted Tax Revenue

Fiscal Deficit Financing



In 2024, the GH¢62.6 billion cash deficit is to be financed primarily through GH¢464 million (1.6% of GDP) in foreign funding and GH¢61.4 billion (5.8% of GDP) in Net Domestic Financing, comprising 99.3% of the total financing.

Sources: 2024 Budget Statement and Economic Policy

Executive Summary

Tax Revenue Measures

01

Value Added Tax (VAT)

- Replacement of the 15% standard rate VAT scheme on commercial properties with a 5% VAT flat rate scheme.
- Review of the VAT exemption regime to eliminate distortions and abuse.
- Upfront payment of VAT on taxable goods imported by unregistered importers at the ports of entry to continue.
- Commencement of Phase 2 of the VAT E-Invoicing Programme which will see the onboarding of more taxpayers.
- A two-year extension of VAT zero-rate on locally manufactured African prints.
- A two-year extension of VAT zero-rate on locally assembled vehicles.
- Grant VAT exemptions on importation of raw materials for the local pharmaceutical industry.
- Zero rating of VAT on locally produced sanitary pads.

02

Customs

- Introduction of an import duty waiver on the importation of commercial electric buses for public transportation.
- Import duty waiver for local assemblers of electric vehicles.
- Import duty waiver for raw materials used in the local manufacture of sanitary pads.
- Engagement with the Ghana Medical Association on the waiver of duties on motor vehicles imported into Ghana by medical doctors for personal use in line with the Exemptions Act.
- Import duty exemptions on agricultural machinery, equipment and inputs that are not available locally.

03

Corporate Income Tax

- Enforce the issuance of certified VAT invoice as the basis for expense deductibility for corporate income tax purposes.
- Commence full implementation of minimum chargeable income tax.
- Operationalise gross gaming revenue taxation per the provisions of Income Tax Amendment Act 2023 (Act 1094).

04

Personal Income Tax

- Upward review of tax-free band in the graduated personal income tax rates to reflect the increment in the minimum wage for 2024.

Executive Summary

Tax Revenue Measures

05

Excise Duty

- Review of excise rate on beer to correct inconsistencies in the application of different rates.
- Expansion of environmental excise duty to cover plastic packaging and plastics; and industrial and vehicle emission.

06

Stamp Duty

Review the Stamp Duty Act to adjust rates and fees upward to reflect current economic conditions and adjust the bands subject to ad valorem taxes.

07

Communications Service Tax

- Implementation of the second phase of the Communication Service Tax to rope in eligible entities.

08

Non-Tax Revenue Measures

- Develop an overarching framework under the Public Financial Management Act 2016 to govern the mobilisation and management of non-tax revenue.
- Streamline and ensure efficient management of rent deductions from occupants of Government accommodation.
- Advance carbon reduction and emissions trade to generate about US$800million by 2030.

Other Revenue Measures

09

Other Compliance and Administrative Measures

- Introduction of a simplified tax return for individuals in the informal sector under the modified taxation scheme to promote voluntary compliance.
- Government to sign bilateral agreements with its major trading partners to boost the exchange of information in the area of customs operations to deal with non-compliance and deter evasion.
- Operationalisation of the Special Voluntary Disclosure Programme to enhance transparency.
- Alignment of VAT and Customs legislations to ensure products that attract VAT when locally manufactured are also subjected to VAT on importation.
- Government to continue its strategic positioning through a new Climate Financing Division to harmonise efforts on mobilising climate funding.

Global Developments

Global Economic Developments & Outlook

Global economic growth is slowing, however, the high inflationary pressures observed last year are declining. Global GDP growth rate is projected to decline from 3.5% in 2022 to 3.0% in 2023 and further decrease by 0.1 percentage point to reach 2.9% in 2024. Headline inflation is projected to drop from 9.2% in 2022 to 5.9% in 2023 and further decline to 4.8% in 2024 due to central banks' monetary tightening policies.

NORTH AMERICA

- Growth in North America is projected to decline marginally from 2.3% in 2022 to 2.1% in 2023.
- Monetary tightening policies to combat elevated inflation levels have contributed to this slight decline in growth.
- Growth in the United States is expected to remain unchanged in 2023 from 2022 at 2.1%.
- Growth in North America is projected to decline from 2.1% in 2023 to 1.5% in 2024. The projected economic downturn in 2024 is expected to result from decelerating wage growth and the depletion of savings amassed during the pandemic.

EUROPE

- Growth in Europe is expected to drop from 2.7% in 2022 to 1.2% in 2023.
- The contraction is a result of high interest rates coupled with a decline in EU exports to both the US and China.
- Greece is estimated to record the highest growth in Europe in 2023 at 4.0% in 2023. Sweden's economy is projected to slow down from 2.8% in 2022 to -0.7% in 2023.
- Growth in Europe is projected to rise marginally to 1.5% in 2024, a 0.3 percentage points increase from 2023. This increase in growth is anticipated to be from various Governments' expansionary fiscal policies towards stimulating economic growth and increasing aggregate demand.

SUB-SAHARAN AFRICA (SSA)

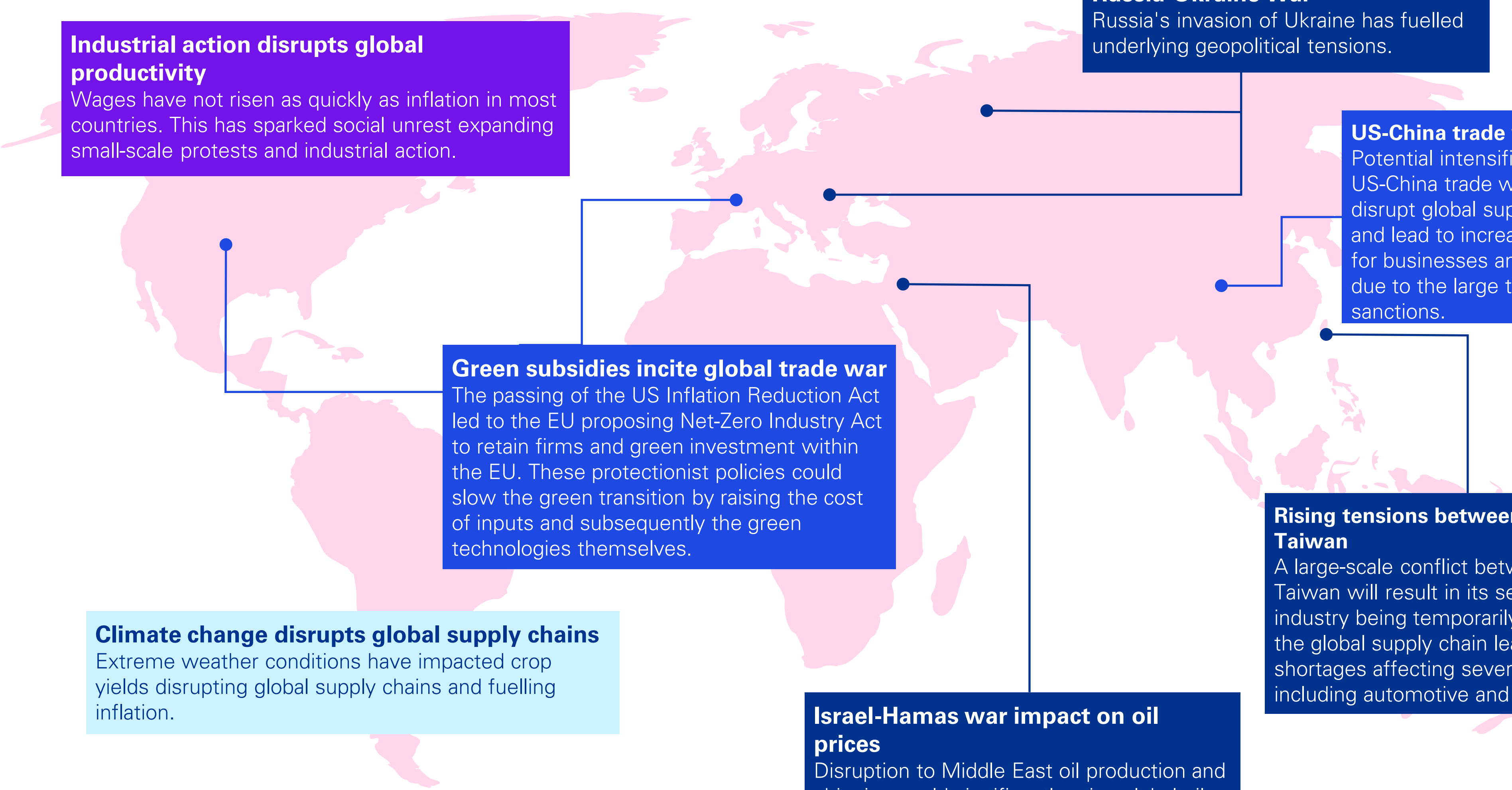
- Growth in SSA is projected to slow from 4.0% in 2022 to 3.3% in 2023 due to worsening weather shocks, the global economic slowdown and domestic supply issues, especially in the electricity sector.
- Nigeria's economy is expected to decline from 3.3% in 2022 to 2.9% in 2023 but inch up to 3.1% in 2024. This contraction in the economy (in 2023) is a result of weakening oil and gas production and the negative effects of high inflation.
- In South Africa, growth is expected to decline from 1.9% in 2022 to 0.9% in 2023, with the decline reflecting power shortages in the country.
- Growth in Mozambique is projected to increase significantly from 4.2% in 2022 to 7.0% in 2023.
- Growth in SSA is anticipated to bounce back in 2024 to reach 4.0%. The projected economic expansion is to be driven by the ease of inflationary pressures within the region.

ASIA

- Growth in Asia is projected to rise from 3.9% in 2022 to 4.6% in 2023.
- The growth is largely fuelled by India's significant economic expansion due to global offshoring, digitalisation and advancements in energy transition.
- Growth in India is projected to remain strong at 6.3% in both 2023 and 2024. Growth in Saudi Arabia is projected to contract sharply from 8.7% in 2022 to 0.8% in 2023 due to oil production cuts to drive up oil prices.
- Growth in China is expected to be 5.0% in 2023 and decline by 0.8 percentage points to 4.2% in 2024. The economy is still facing crisis in its property sector.
- Growth in Asia is estimated to decline to 4.2% in 2024, a 0.4 percentage decrease from 2023. The decline is anticipated to be driven by tighter monetary and fiscal policies.

Sources: IMF, Bloomberg, EIU

The global economic outlook is being affected by geopolitical risks



Russia-Ukraine War
Russia's invasion of Ukraine has fuelled underlying geopolitical tensions.

Industrial action disrupts global productivity
Wages have not risen as quickly as inflation in most countries. This has sparked social unrest expanding small-scale protests and industrial action.

US-China trade war
Potential intensification of the US-China trade war will disrupt global supply chains and lead to increasing costs for businesses and consumers due to the large tariffs and sanctions.

Green subsidies incite global trade war
The passing of the US Inflation Reduction Act led to the EU proposing Net-Zero Industry Act to retain firms and green investment within the EU. These protectionist policies could slow the green transition by raising the cost of inputs and subsequently the green technologies themselves.

Rising tensions between China and Taiwan
A large-scale conflict between China and Taiwan will result in its semiconductor industry being temporarily cut off from the global supply chain leading to shortages affecting several industries including automotive and electronics.

Climate change disrupts global supply chains
Extreme weather conditions have impacted crop yields disrupting global supply chains and fuelling inflation.

Israel-Hamas war impact on oil prices
Disruption to Middle East oil production and shipping could significantly raise global oil prices.

Source: EIU

The Economy

Macroeconomic Snapshot

Overall GDP growth for 2023 has been revised upwards from 1.5% to 2.3%. The Government of Ghana's Post-COVID-19 Programme for Economic Recovery (PC-PEG), debt exchange programme and other macroeconomic policies have been attributed to this upward revision. GDP is further anticipated to grow at an average rate of 4.3% in the medium term (2024 – 2027) to reach 5.0% in 2027.

Macroeconomic Performance	2022 Outturn	2023 Targets	2023 End of Aug. Outturn	2024 Targets
Overall GDP Growth Rate	3.1%	2.3%	3.2%*	2.8%
Non-Oil GDP Growth Rate	3.8%	2.8%	3.9%*	2.1%
End Period Inflation Rate	54.1%	29.4%	35.2**%	15%
Fiscal Deficit (% of GDP) (cash basis)	10.7%	5.3%	3.0%	5.9%
Primary Balance (% of GDP)	(3.2)%	(1.2)%	(0.7)%	(0.6)%
Import Cover (Number of months cover)	2.7	2.9	2.3***	3.0

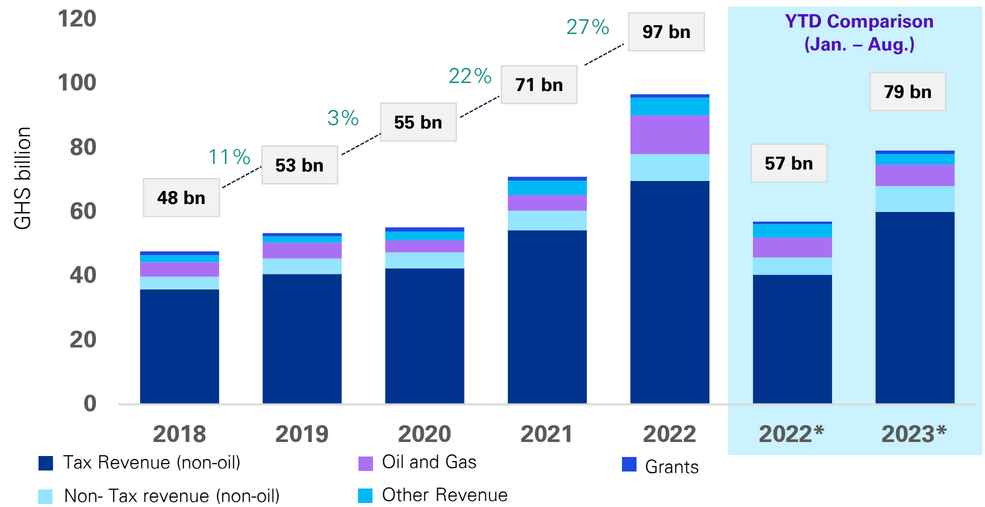
* As at June 2023
** As at October 2023
*** As at September 2023

Sources: 2023 Mid-Year Budget Statement, 2024 Budget Statement and Economic Policy

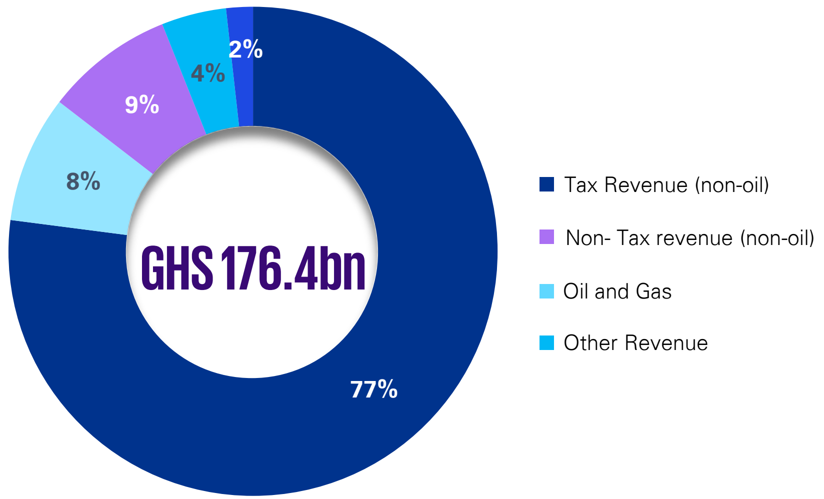
Revenue

Fiscal Developments (1/2)

Revenue Breakdown (2018 – 2023*)



Projected Revenue 2024



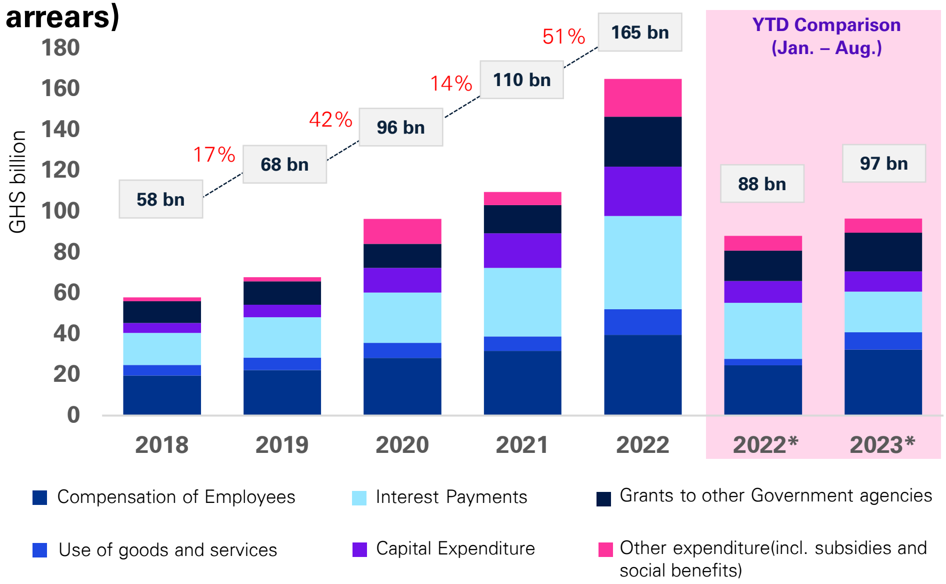
- Over the past five years, Ghana's total revenue has steadily grown at an average rate of 16%, underpinned by the role of tax revenue (non-oil). The year 2020 presented a challenge, witnessing a decline in revenue growth rate from 11% to 3% due to the COVID-19 pandemic, causing a slowdown in economic activities and adversely affecting corporate and personal income tax. However, the subsequent years, 2021 to 2022, marked a rebound attributed to enhanced tax administration and policy measures, including the partial reversal of the benchmark discount policy. Key contributors to this resurgence were Taxes on Domestic Goods and Services, notably the GETFund Levy, NHIL, and VAT in 2022.
- In the first eight months of 2023, total revenue reached GHS 79 billion, which fell 3.8% below the target, mainly due to lower-than-expected oil revenues. Tax revenue (non-oil) constituted 76% of total revenue, up from 71% in the same period last year. Strong performers in 2023 included Personal Income Tax, Corporate Income Taxes, Mineral Royalties, Domestic NHIL and GETFund levies, and International Trade Taxes. However, shortfalls were observed in CST, E-levy, and Covid-19 Levy, echoing sentiments expressed by business owners in KPMG and UNDP's pre-budget survey, advocating for a review of these levies. The contribution of Non-Tax revenue to total revenue increased to 10% from 9% in the previous year, while oil and gas receipts' share decreased to 8% from 11% in the same period. This decline in oil and gas receipts is attributed to price and exchange rate effects in H1 2023. Other revenue's share dropped from 7% to 4% compared to Jan–Aug 2022 due to lower-than-expected SSNIT Contribution to NHIL and ESL proceeds. Grants maintained a consistent 1% share in both 2022 and 2023.
- Looking ahead, the Government projects total revenue to reach GHS 107 billion by the end of 2023 based on fiscal performance and revenue trends. Anticipating a continued positive trajectory, the Government forecasts a 23% increase in revenue for 2024, reaching GHS 176.4 billion. The optimistic 2024 projection is underpinned by permanent non-oil revenue measures, including tax adjustments on personal tax, and value-added tax. Additionally, a comprehensive review of the Excise Duty Act and Stamp Duty Act contributes to the positive outlook for future revenue.

Sources: Budget Statements (2018, 2019, 2020, 2021, 2022, 2023, 2024)
NB: * refers to the period January to August

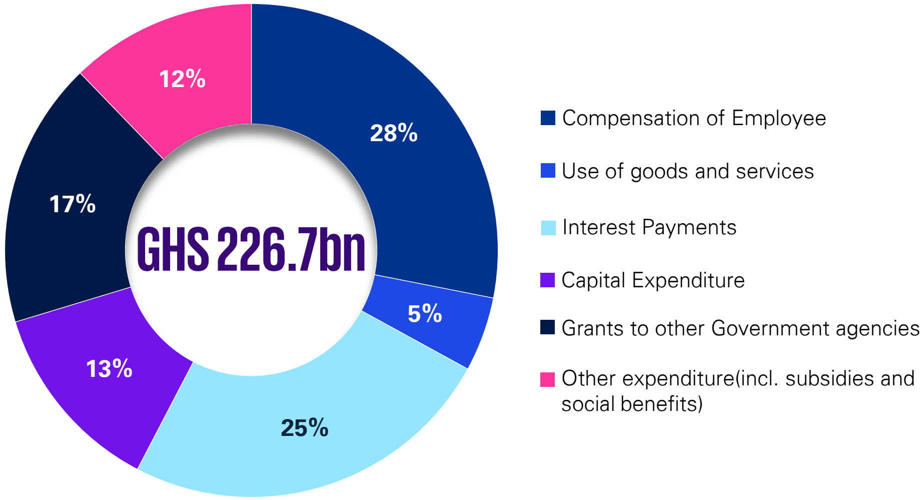
Expenditure

Fiscal Developments (2/2)

Expenditure Breakdown (2018 - 2023* excl. discrepancy and arrears)



Projected Expenditure 2024



- The Government's expenditure decisions are pivotal in shaping the nation's socio-economic landscape, reflecting its priorities, policies, and commitments. This section outlines the intricacies of expenditure components, tracing trends over a specified period and underlying fiscal strategies. Over the course of five years (2018 – 2022), Government spending has recorded a steady growth (at a CAGR of 29.9%), notably driven by interest payments and compensation of employees. However, the implementation of the Domestic Debt Exchange Programme (DDEP) in 2023 resulted in a significant reduction in interest rate payments. From January to August 2023, the Government's expenditure levels experienced a 32% increase compared to the corresponding period in 2022, primarily fuelled by the rise in compensation for employees.
- In the 2024 fiscal year, the Government plans to spend GHS 226.7 billion, marking the highest projected spending in the past five years. Despite this notable increase, the Government is committed to fostering fiscal discipline by implementing a series of strategic control measures. These initiatives aim to enhance budget credibility and curb excessive spending. Two of the proposed measures include amending the Fiscal Responsibility Act to enhance budget credibility, underpin lasting fiscal discipline, improve fiscal policy oversight and developing a centralised inventory of all ongoing and planned public investment projects to strengthen budget credibility, exercise commitment control, and prevent accumulation of spending arrears. In summary, the Government's ambitious fiscal plan for 2024 and proposed commitment to fiscal discipline reflects the Government's strategic allocation of resources for national development.

Sources: Budget Statements (2018, 2019, 2020, 2021, 2022, 2023, 2024)
*NB: * refers to the period January to August*

Public Debt

Public Debt Trajectory

Between 2019 and September 2023, the nominal value of the public debt stock grew from GHS 218.2 billion to GHS 567.4 billion, reflecting a compound average growth rate of 27%. Despite this increase, the debt-to-GDP ratio experienced a decline from 73.1% at December 2022 to 66.4% by September 2023 although the debt stock grew by 27% in the same period.

During the period from 2019 to 2021, the composition of the debt portfolio maintained a close equilibrium between external and domestic debts, with domestic debt securities slightly edging ahead, constituting an average of 51%. However, a noticeable shift occurred in 2022 and September 2023, favouring a substantial increase in external debts, growing at an average rate of 39% in contrast to the domestic debt's 12% average growth. Consequently, the proportion of external debt within the debt portfolio escalated to approximately 58% as of September 2023.

Key Drivers

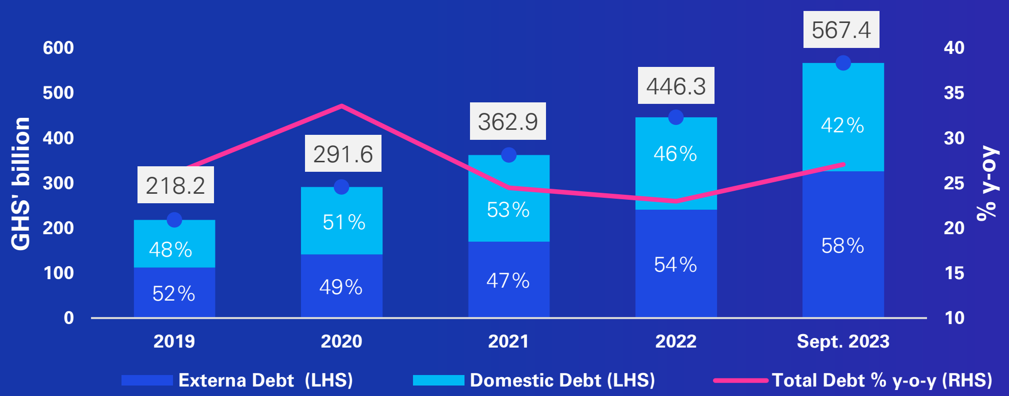
Generally, the decline in the debt-to-GDP ratio is attributable in part to an inflation-induced expansion in the nominal GDP outpacing the growth in the nominal debt stock. The growth in external debt has predominantly been catalysed by Cedi depreciation alongside transactional impacts from multilateral institutions. Notably, in 2022, 95% of the GHS 79 billion surge in external debt, which significantly altered the portfolio mix, was primarily due to local currency depreciation.

Conversely, the net outcome of the Government borrowing at the short end of the yield curve and the successful execution of both phases of the domestic debt exchange programme (DDEP) has moderated the pace in the growth of domestic debt. Indeed, the implementation of the DDEP has yielded substantial benefits in 2023 with savings estimated at GHS 61 billion, equivalent to 7.1% of GDP in 2023.

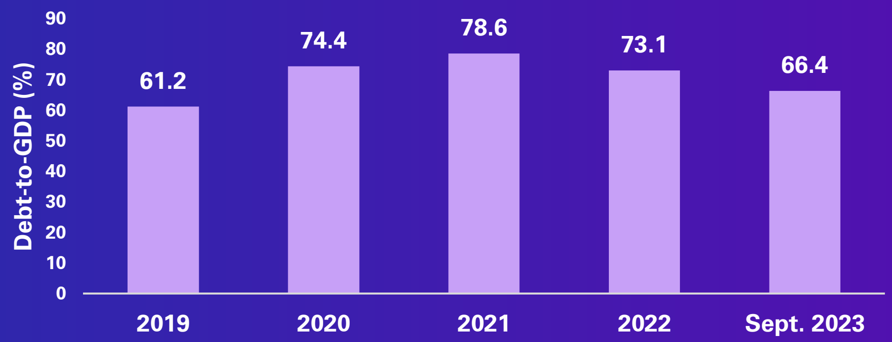
Public Debt Outlook

Ghana has set a debt-to-GDP ratio objective of 55% to be achieved by 2028. The attainment of this objective relies heavily on the effective restructuring of bilateral and commercial external debts. We are optimistic that the ongoing policies, designed to enhance fiscal discipline, minimise volatility in exchange rates, and stimulate economic growth, will significantly complement ongoing restructuring programme towards a path of fiscal sustainability.

Trends in the public debt stock



Trends in debt-to-GDP

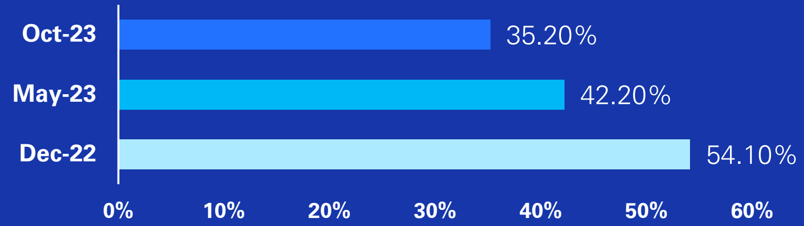


Sources: 2023 Budget Statement

Monetary Sector

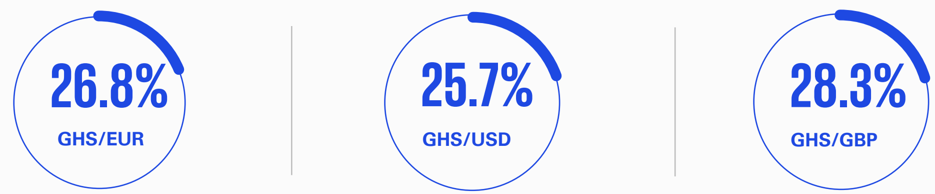
Inflation

Inflation has been on downward trajectory, having dropped by 1,890 percentage points from the highest level in 3 decades of 54.1% in Dec. 2022 to 35.2% as at Oct. 2023. This has largely been driven by a tight monetary policy stance, and exchange rate stability.



Currency depreciation

On the foreign exchange market, the cedi fell by 25.7% against the US Dollar, 28.3% against the Pound Sterling, and 26.8% against the Euro for the year-to-date 2023. The relative stability of the local currency was due to inflows from the mining and oil companies, the first tranche of the IMF ECF, the Gold for Oil Programme and improved market conduct rules.

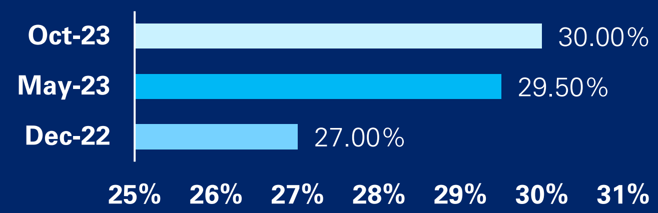


Through the Gold For Oil (G4O) Programme, the Bank of Ghana has purchased a total amount of 17.89 tons (US$1,140m) of gold to boost its gold reserves, contributing to the stabilisation of the cedi/dollar exchange rate.

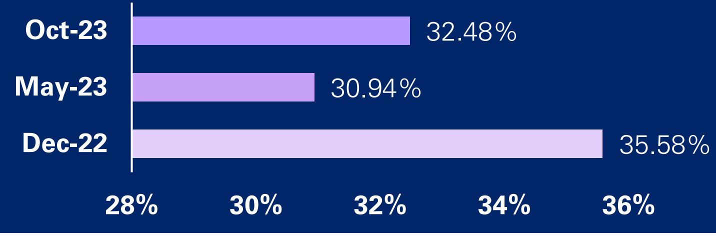
Monetary Policy

To firm up the disinflation process, the Bank of Ghana's Monetary Policy Committee (MPC) increased the Monetary Policy Rate (MPR) to 30% in July 2023 from 27% as at December 2022. The average bank lending rate rose from 30.94% in May 2023 to 32.48% in October 2023 due to increases in the interbank weighted average rate and the monetary policy rate. Though the average bank lending rate declined from 35.58% to 30.94% it still remained above the MPR. The decline was in line with positive macroeconomic expectations, which were priced into the rate, as evidenced by the trend of declining inflation and currency depreciation.

Monetary Policy Rates



Average Bank Lending Rate



Source: Ministry of Finance 2024 Budget Statement, Bank of Ghana

Real Sector Performance

Ghana's real sector performance has, on average, performed below the expected growth over the period 2019 to 2022. This can be largely attributable to the year on year contraction in the Industry sector due to the impact of named factors such as the decline in crude oil and gold production. The table below illustrates a comparison of the budgeted and actual real sector performance over 2019 to 2022, as well as the first halves of 2022 and 2023.

Budgeted and actual sector performance over the period 2019 to 2023 H1

	2019			2020			2021			2022			H1 Actuals	
Sectors	Budget	Actual	Var. (%)	Budget	Actual	Var. (%)	Budget	Actual	Var. (%)	Budget	Actual	Var. (%)	H1 2022	H1 2023
Agriculture	7.3	4.7	(2.6)	5.1	7.3	2.2	4.0	8.5	4.5	5.3	4.2	(1.1)	4.3	6.3
Industry	9.7	6.4	(3.3)	8.6	(2.5)	(11.1)	4.8	(0.5)	(5.3)	6.3	0.9	(5.4)	1.9	(2.2)
Services	6.1	7.6	1.5	5.8	0.7	(5.1)	5.6	9.4	3.8	5.6	5.5	(0.1)	5.0	6.3

Source: GSS April 2023 and 2024 Budget Statement

Agriculture

- Agriculture has experienced an average growth of 6.2% from 2019 to half-year 2023, with the Industry and Services sectors reflecting an average growth of 0.4% and 5.9% respectively over same period.
- In 2023 H1, the Agriculture sector recorded a growth of 6.3% from 4.3% in 2022 H1. This increase can be directly attributed to the Crops and Livestock subsectors which recorded a growth from 3.8% to 6.8% and 5.7% to 6.7%, respectively, from 2022 H1 to 2023 H1.
- The relatively stable performance can be linked to the implementation and sustenance of interventions like the Planting for Food and Jobs programme.

Industry

- There was an underperformance in the Industry sector in 2020 and 2021 due to a decline in petroleum output and gas production, as well as gold, over the period.
- This sector continues to underperform as at 2023 H1. In 2023, the Industry sector recorded a growth decline of 2.2% due to the general contraction in growth in all subsectors except Mining and Quarrying. Despite being the only positive growing subsector, its recorded H1 2023 performance of 0.6% was still lower than the recorded growth of 1.9% in H1 2022.

Source: Ministry of Finance 2024 Budget Statement, Bank of Ghana

Services

- The Services sector experienced a slow growth in 2020 due to the effect the COVID-19 and partial restrictions on travel imposed over the period had on the hospitality industry. The sector however still experienced a positive growth due to the Information and Communication subsector, as a result of the use of digital platforms to cope with the restrictions on public gathering.
- From 2021, the Services sector recorded the highest average growth compared with the other sectors. Within the Services sector, Information and Communication continued its trend with the highest growth rate of 23.2% in 2023 H1 compared to 20.1% in 2022 H1.

Conclusion

- Government's efforts in promoting digitalisation, as well as the implementation of flagship agricultural programmes has supported sustained growth in the Services and Agriculture sectors.
- A thriving industry sector is essential for sustainable economic growth. The sector has underperformed, relative to growth expectations over the last five years. It is imperative that Government exercises flexibility in policy formulation and effective implementation for the sector to accelerate growth.

Programme Updates on IMF

On 17 May 2023, the Executive Board of the International Monetary Fund (IMF) granted approval for a 36-month Programme under the Extended Credit Facility (ECF) amounting to SDR 2.242 billion, which is approximately equivalent to US$3 billion

Journey so far

17 May 2023 – IMF Executive Board Approval

19 May 2023 – First tranche of about US$603 million released to Ghana

25 Sept – 6 Oct 2023 – IMF Staff conducted first review of programme

Next 3 Years – The remaining US$1.8 billion will be released in 5 equal tranches, each upon successful reviews over the next three years.

First Review

Following the release of the first tranche of US$603 million on 19 May 2023, the IMF conducted a review of the programme between 25 September and 6 October 2023.

The review assessed four categories: six (6) Quantitative Performance Criteria (QPCs), one (1) Monetary Policy Consultation Clause (MPCC) for inflation, three (3) Indicative Targets (ITs), and nine (9) Structural Reform Benchmarks (SBs). Seven (7) of the nine SBs were due for completion at the end of September 2023 to be assessed during this review.

Assessment Criteria (1st Review)	Targets Met
6 Quantitative Performance Criteria	6/6 targets met
1 Monetary Policy Consultation Clause	1/1 target met
3 Indicative Targets	2/3 targets met
7 of 9 Structural Reform Benchmarks	6/7 targets met

What next?

Ghana reached a staff-level agreement on economic policies and reforms to conclude the first review of the country's three-year programme under the Extended Credit Facility in order to secure the second tranche of US$3bn bailout.

Given Ghana's commendable performance in the first review, the imperative next step requires Paris Club creditors to promptly finalise an agreement on debt treatment aligned with the assurances pledged in May, 2023 to ensure timely completion of the review.

After securing the necessary financing assurances from external creditors and then the approval of the IMF's Executive Board, Ghana will be set to access the next US$600 million, which will result in a cumulative disbursement of US$1.2 billion in IMF financial support under the arrangement since May 2023.

The next review is scheduled to be completed in May, 2024. The review will focus on the observance of end - December 2023 performance criteria including quantitative performance criteria, continuous performance criteria, monetary policy consultation clause and indicative targets.

Source: Ministry of Finance 2024 Budget Statement, IMF Website

Environmental Social and Governance (ESG)

ESG and Sustainability

In the wake of a pivotal year for climate action and sustainability-related regulations (culminating into the launch of the ISSB's IFRS S1 and S2 standards) across the world, revelations from the UN Secretary-General's Report (only 12% of assessable SDG targets are on track at the midpoint of implementation) have underscored the urgency for Governments' actions as stewards for responsible ESG practices, as the world races against time.

In furthering its sustainability drive, the Government of Ghana in this 2024 budget statement has highlighted several initiatives completed from commitments made in the 2023 budget. Below are the key achievements relative to the priority SDG targets selected by Government through the NDPC.

Achievements on Ghana's SDG Targets

Target 16.6: Effective & Transparent Institutions

Target 6.2: Sanitation & Hygiene

Target 7.3 Energy Efficiency

Target 8.5: Employment & Decent Work

Target 4.1: Equitable & Quality Education

Strengthening Institutional Governance

- Alignment of the Medium-Term Development Policy Framework with the UN Agenda 2030 for all agencies
- Introduction of GIFMIS-GhIPSS Electronic Fund Transfer (ETF) platform for Government institutions
- Draft Environmental Protection Authority bill approved by cabinet for submission to Parliament

Improving Water and Sanitation

- Five Integrated Recycling Compost Plants and a Wastewater Treatment Plant commissioned
- Implementation of a Circular Economy Framework for the Plastic Sector (CEF-PS)
- Over 437.88 tons of e-waste retrieved since 2020

Clean Energy Projects and Initiatives

- Preparatory for the Scaling-up Renewable Energy Project
- 11,692 units of subsidised solar lantern distributed
- 97,253 improved cookstoves distributed for clean cooking
- National Energy Transition Investment Plan launched

Youth Employment and Skills Development

- A total of 23,695 beneficiaries trained in 2023 under the YouStart Programme with 200 gaining additional capital
- An e-learning platform to educate the youth in climate-smart agricultural modules has been developed

Improving Access to Education for All

- 2,000 Girls (and 200 teachers) trained in ICT in both Savannah and Northern Regions
- 5 new public libraries as well as 1,320,976 beneficiaries of Free SHS and TVET in 2023

Our Point of View

In the second-half of SDG implementation, Government is ramping up multi-dimensional efforts to achieve its priority targets.

To expedite impact, it is imperative to explore areas of Goal interlinkages and seek synergies across its various institutions, first toward the selected targets and also to drive private interest to assist with realising Goals 1, 3 and 8 (per results from the KPMG 2024 Pre-Budget Survey), as they help drive economic development, social transformation and citizens well-being.

ESG and Sustainability

Below are highlights of key ESG initiatives from the fiscal activities outlined by Government in the 2024 budget. It focuses on the expectations of their outcomes.

01 Environmental
Addressing Climate & Eco Issues

- US$4.8million earned from carbon reduction (1m tons of emissions), US$45million expected in 2024.
- The Ghana Shea Landscape Emission Reduction Project is targeting to restore 300,000ha of degraded land in the Savannah zones.
- 25,000ha of forest plantations to be restored.
- Climate Vulnerable Fund (over US$ 500,000) to be accessed for impacted lower Volta communities.
- Circular economy efforts under both CEF-PS and incentive payment system for e-waste recycling.
- Ministry of Finance to set up a Climate Financing Division to enhance national coordination.
- Import duty exemption for electric vehicles meant for public transportation, along with the Drive Electric Initiative to advance the green transition.
- Up to 24m tons of carbon in the NDCs to be traded.
- Construction of 2 Engineered Sanitary Landfill and Materials Recovery Facilities in Accra.

02 Social
Social Welfare Gains

- 11% increase in budget allocation for key prioritised social interventions (School Feeding, Capitation Grant, LEAP and NHIS).
- LEAP grant estimated to be doubled from the 2023 target with bi-monthly rollouts.
- At least 40% increase in NHIS budget to help clear backlog of medical claim arrears as e-claims MIS improves service inclusion.
- Disbursement of 3% DACF to PWDs will be monitored with new MIS dashboard system.
- IT capacity building for 200,000 youth.
- 11,000 vulnerable women to be supported in poultry production for livelihood.
- About 80,000 youth to be employed by the support given to SMEs in the fishing sector.
- Government to support 35,000 YouStart beneficiaries, with 10,000 getting financing.

03 Governance
Responsible Business

- PFM structural reforms to enforce internal oversight in SOEs and Internal Audit Agency.
- All MDAs to use GHANEPS for procurement.
- 150 health institutions to be enrolled on GIFMIS.
- Quarterly allotment (rather than full budget) will be used as a GIFMIS control mechanism.
- Audit resolution to be required from MDAs as a basis for every resource request.
- Some SOEs are preparing to be listed, while SIGA attempts to improve credit worthiness.
- Commercial Paper Market to be launched as part of GFIM to give access to new products.
- Development Bank to lend about GHC 2billion to boost responsible private sector investments.

Our Point of View

Government has made efforts to meet pre-budget expectations by outlining climate finance initiatives, improved allocations for social interventions and set the tone for responsible business with the PFM structural reforms. The new Climate Finance Division will drive accountability, reporting and harmonize all national efforts for consistency.

Government is expected to intensify the fight against illegal mining as it threatens environmental sustainability.

Tax & Non-Tax Initiatives and Revenue Measures

Proposed Tax Initiatives & Revenue Measures

Tax Revenue Measures

Value Added Tax (VAT)

❑ **Replacement of VAT Rate on Commercial Properties**

- To simplify VAT administration and enhance revenue, Government proposes the introduction of 5% flat rate VAT on the letting of commercial properties to replace the 15% standard rate scheme.

❑ **Expanding the Scope of VAT E-Invoicing Scheme & Continuous Implementation of the Upfront VAT Initiative**

In order to address the VAT gap and improve revenue performance in 2024, Government is proposing to:

- Roll out the second phase of VAT E-Invoicing programme by onboarding 600 large taxpayers and over 2,000 small and medium taxpayers on the platform.
- Continue the charging of Upfront VAT on taxable goods imported by unregistered importers at the ports of entry.

❑ **Review of VAT Exemption in L.I. 2255 and First Schedule of Act 870**

- Government is planning to expand the scope of Exemption of Active Ingredients, Selected Inputs And Selected Drugs or Pharmaceuticals from VAT upon importation (L.I. 2255) to include raw materials used in the local pharmaceutical manufacturing industry.
- To reduce distortions and abuses of the general VAT exemption regime, Government plans to undertake a general review of the VAT exemption regime.

Our Point of View

The replacement of the VAT standard rate on commercial properties with the flat rate will lead to easier accountability and reporting by taxpayers. Government on the other hand is likely to see an increase in the revenue base as there will be no VAT input-output treatment.

Taxpayers who are yet to be onboarded on the e-invoicing programme would have to prepare adequately for the onboarding including acquiring the necessary IT infrastructure in order to avert any penalty implications.

The proposed exemptions for the pharmaceutical industry has the potential of spurring growth in the industry and to further make their price competitive.

The potential increase in revenue could provide the much needed financing for the SDGs. Investing in the pharmaceutical industry will contribute to achieving SDG 3: Good health and well-being.

Proposed Tax Initiatives & Revenue Measures

Tax Revenue Measures

Value Added Tax (Cont.)

❑ **Extension of the Application of VAT Zero Rate on Locally Manufactured African Prints and Locally Assembled Vehicles for additional Two (2) Years**

To make certain manufactured products price competitive locally, Government proposes to extend the application of VAT Zero rate up 31 December 2025 on the following:

- African prints; and
- Assembled vehicles under the Ghana Automotive Development Policy.

❑ **Zero Rating of VAT on Locally Manufactured Sanitary Pads**

- Government intends to apply zero rate VAT on locally manufactured sanitary pads to boost local production.

Our Point of View

The garment industry has been on zero rating for some years now, however, the real impact of this benefit is yet to be felt as cheaper imports textiles on the market still challenge the competitiveness of local industry. While the extension of the zero rated VAT for the sector is welcomed, other policy interventions to facilitate modernisation and productivity improvements should be strengthened to enhance the sector's competitiveness.

Similarly, there are a few local manufacturers of sanitary pad , as a result the intent to incentivise companies to manufacture the production, while laudable, may have a limited impact.

In addition to the tax incentive, Government should also consider capacity enhancement and market access initiatives to support the scaling up of local production of sanitary pads and facilitate an enabling environment for reduced cost of production and increased patronage.

Proposed Tax Initiatives & Revenue Measures

Tax Revenue Measures

Customs & Excise Tax

❑ Granting of Customs Duty Waivers

Government proposes the following reliefs targeted at protecting some local industries and the environment:

- Waiver of duties on the importation of raw materials for the local manufacture of sanitary pads.
- Waiver of duties on the importation of Semi-Knocked Down (SKDs), Complete-Knocked Down (CKDs) and Fully-Built Units (FBUs) by investors seeking to assemble electric vehicles.
- Waiver of import duties on the importation of commercial electric buses for public transport to promote net zero emissions.
- Waiver of duties on the importation of agricultural machinery, equipment and inputs not available locally.

❑ Granting Motor Vehicle Import Duty Exemption to Doctors

- Incentivise medical doctors by leveraging on the Exemptions Act to grant waiver of duties on motor vehicles imported into Ghana for personal use.

❑ Review of Excise Duty Act

- Government is proposing to review excise rate for beer to be consistent with excise tax on other excisable products.
- Expand Environmental Excise Duty to include plastic packaging, plastics and vehicle and industrial emissions.

Our Point of View

The policy to waive custom duties on electric vehicles would make them cheaper and affordable. This should further drive the demand for such vehicles to help in ameliorating the adverse impact of carbon emission and contribute to the climate change agenda.
However, it is also important that the policy considers promotion of the supporting infrastructure to support the adoption of electric vehicles. The availability of charging stations and competitiveness of the electricity tariff relative to fossil fuels will impact the pace and scale of the adoption of the electric vehicles.

Although to some extent these waivers may result in the reduction of the prices of these locally manufactured products, imported substitutes may be cheaper in some instances and therefore Government policy in the future should gravitate towards higher tariffs on the importation of such products when we have the capacity to produce to support our population and also at a cheaper price. This could go a long way to support our currency.

SDG target 17.1 requires strengthening domestic resource mobilization. This builds on the importance of domestic resources to finance the SDGs. Consequently, tax reduction measures should assess implications on revenue and indicate alternative means of financing any potential deficit.

Proposed Tax Initiatives & Revenue Measures

Tax Revenue Measures

Corporate Income Tax

- ❑ **Deductibility of Business Expenses to be Supported by VAT Invoices**

- Government in its bid to increase VAT compliance intends to make the Commissioner-General's (C-G's) certified VAT invoice, the basis for all deductible expenses for income tax purposes.

- ❑ **Full operationalisation of the Minimum Chargeable Income and Gross Gaming Revenue Taxation**

- Following the implementation of the minimum chargeable income tax on persons making losses for the previous five years of assessment (other than persons engaged in farming or business within their first five years of operation) together with taxation of the Gaming Revenue in 2023, Government seeks to ensure full operationalisation of these taxes.

Personal Income Tax

- ❑ **Upward Review of Tax Free Threshold**

Government plans to adjust the tax free threshold in the graduated personal income tax bands to reflect the proposed increment in the minimum wage from GH¢14.88 to GH¢18.15.

Our Point of View

The intention to make the C-G's certified invoice a basis for expense deductibility is expected to improve general tax compliance by all registered and registrable businesses in Ghana.

This may also impact the contract opportunities for small and medium-sized business who are not mandated to register for VAT due to the threshold.

Government can, however, consider an accelerated implementation of the e-invoicing as well as reviewing the VAT registration threshold to onboard more small and medium-sized businesses.

The full operationalisation of the minimum chargeable income would provide clarity on the applicability of the tax for all stakeholders.

The upward review of tax free threshold is expected to provide outright tax exemption for minimum wage earners and potentially expand the bands for the other income brackets with some tax savings.

Proposed Tax Initiatives & Revenue Measures

Tax Revenue Measures

Communications Service Tax & Stamp Duty

❑ **Implementation of Phase 2 of the Communication Service Tax**

- The second phase of the Communications Service Tax is set to begin by 2024 and targeted entities will be onboarded to charge the tax in addition to the already onboarded communication service providers.

Stamp Duty

❑ **Review of Stamp Duty Act, 2005 (Act 689)**

Government proposes to review the Stamp Duty Act to achieve two objectives:

- Adjust rates and fees upward to reflect current economic conditions.
- The bands subject to ad valorem taxes to be expanded and rates also adjusted upwards.

Our Point of View

The onboarding of the targeted entities will contribute to Government revenue targets in 2024. Government must establish mechanisms to ensure accurate reporting and collection of taxes and address any potential challenges and loopholes encountered in the first stage of implementation.

Priority SDGs have been identified by government and renewed commitment to accelerate implementation of the SDGs made in the September SDGs Summit. As the 2024 budget proposes measures to increase revenue, government can consider proposing key development initiatives in which additional revenue will be invested. A deliberate target to mobilize resources for implementation of the SDGs should be considered.

Proposed Tax Initiatives & Revenue Measures

Non-Tax and Other Revenue Compliance & Administration Measures

Non- Tax Revenue Measures

- Develop an overarching framework under the Public Financial Management Act, 2016 (Act 921) to govern the mobilization and management of non-tax revenue.
- Streamline and ensure efficient management of rent deductions from occupants of Government accommodation.

Other Compliance & Administrative Measures

- ❑ Simplify tax returns for individuals subject to modified taxation under the Second Schedule of Income Tax Act, 2016 (Act 896) for ease of compliance for businesses in the informal sector.
- ❑ Government to sign bilateral agreements with its major trading partners to boost the exchange of information in the area of customs operations to deal with non-compliance and deter evasion.
- ❑ Ghana Revenue Authority (GRA) to operationalize the Special Voluntary Disclosure Programme to ensure transparency.
- ❑ Alignment of the VAT and the Customs legislations to ensure products that attract VAT when locally manufactured are also subjected to VAT on importation.

Our Point of View

The introduction of the modified taxation scheme in Act 896 was meant to address the challenges in assessing persons in the informal sector by providing a simplified basis for them at an income tax rate of 3%.

This scheme has, however, not been fully implemented since the coming into force of Act 896. Thus, designing a simplified tax return for taxpayers in this category would enhance compliance and consequently bring onboard more taxpayers in the informal sector.

The GRA should also consider sensitising persons in this category as well as training tax officers for successful implementing of the modified taxation scheme.

A Special Voluntary Disclosure Programme is expected to be accompanied by certain waivers to encourage tax compliance. However, the Commissioner-General currently has the power to waive penalties but not interest and it is important for Government to consider a revision of this to encourage greater uptake of the voluntary disclosure.

Outlook

Targets for 2024

Overall GDP growth rate
2.8%

Non-Oil GDP growth rate
2.1%

Fiscal Deficit (cash basis)
5.9%

End-December Inflation
15%

Import Cover
3.0 months

Primary Balance
(0.6)%

Revenue
GH¢ 176.41 billion

Fiscal Deficit
GH¢ 50.27 billion

Expenditure (commitment basis)
GH¢ 226.68 billion

Medium Term Macro-Fiscal Targets

Overall economic growth outlook

The projected real GDP growth rate for the medium-term demonstrates a gradual but consistent upward trajectory. Starting at 2.80% in 2024, the Ghanaian economy is expected to expand further, with real GDP growing at 4.40% in 2025, 4.90% in 2026, and a steady growth to 5.00% in 2027. This anticipated growth signals a positive outlook for the economy, underpinned by incremental improvements across sectors. We believe that risks to policy continuity, despite a possible change in Government in 2024, is low due to general support for the IMF Programme by the key political parties.

Sectoral performance expectations

All sectors of the economy are poised for consistent growth in the medium term and are expected to converge at a growth path of around 5% by 2027. The consistent growth projections across sectors, albeit with varying rates, reflect an overall positive momentum for the economy. The agricultural sector's sustained growth is crucial for food security and rural development. Meanwhile, the industrial sector's upward trend indicates potential advancements in manufacturing, infrastructure, and technology. The services sector, being the highest contributor to GDP, is also expected to grow, largely driven by expectations of increased innovation and strong demand for diverse services in the economy.

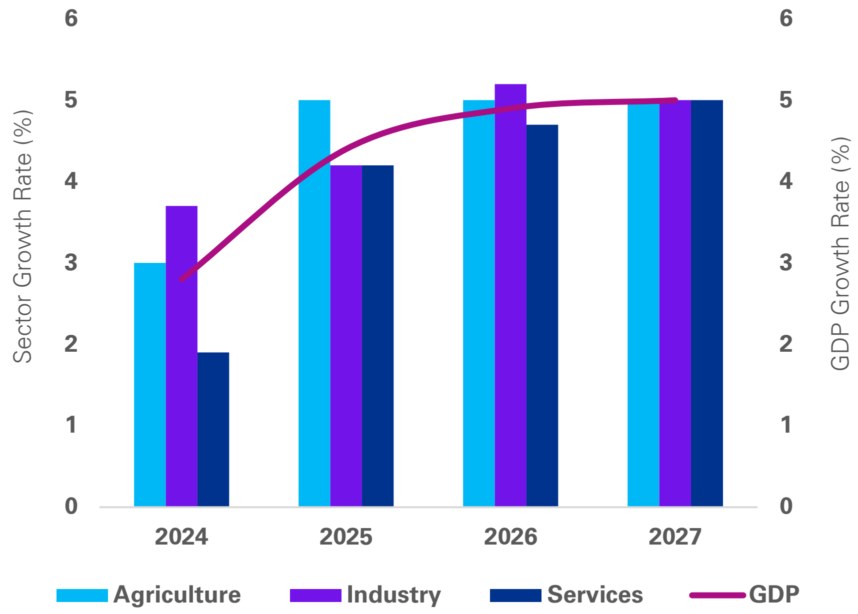
Monetary policy and price stability

Looking ahead, the medium-term target aims for inflation to trend downward, reaching a target range of 8±2% by end-December 2025. This signals a concerted effort to rein in inflationary pressures and steer the economy towards a more stable price environment. This also implies that monetary policy would remain proactive at curbing inflation. Achievement of the targets would rely on effective implementation, adaptability to evolving economic conditions, and a coordinated approach between monetary and fiscal policies, particularly as we enter into an election year.

Fiscal sustainability

The projected primary balance surplus over the medium-term is equivalent to 1.5% of GDP. This emphasis on achieving a surplus in the primary balance indicates a commitment to fiscal prudence, aiming to ensure that Government revenues exceed non-interest spending, excluding debt interest payments. A major risk, however, to this target is the election cycle in 2024,which could induce excessive Government spending.

Medium-term GDP Growth (in %) Projection (2024 – 2027)



Macroeconomic targets for the medium term (2024 – 2027)

Indicator	Target
Overall GDP growth (%)	4.3% *(average)*
Non-Oil GDP growth (%)	4.1% *(average)*
Inflation (%)	8% from 2025 onwards
Primary balance	To be in surplus of 1.5% of GDP
Gross International Reserves	4.4 months cover

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