



2023 GHANA NATIONAL BUDGET ANALYSIS

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GHANA

ABOUT BUDGIT GHANA



BudgIT Ghana is a civic technology organization specializing in intersecting citizen engagement with technology to promote transparency and accountability in governance. As a pioneer in social advocacy melded with technology, BudgIT Ghana uses a range of technologies to simplify government budgets and matters of public spending for citizens, to foster accountability and responsible governance. With a four-pronged focus on Budget Access, Tracka, Extractives, and Institutional Support, our methodology is to use the most refined data-mining skills to present data to citizens and empower them to demand better service delivery and good governance.

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ABBREVIATIONS/ ACRONYMS

Acronyms	Full Meaning
GDP	Gross Domestic Product
GIFMIS	Ghana Integrated Financial Management Information System
ESL	Energy Sector Levies
GDP	Gross Domestic Product
IPPs	Independent Power Producers
Finsec	Financial Sector
CAPEX	Capital Expenditure
DGST	Domestic Goods and Services Taxes
VAT	Value Added Tax
GETFund	Ghana Education Trust Fund
SSNIT	Social Security and National Insurance Trust
1D1F	One District One Factory Programme
GH¢	Ghana Cedis
o/w	Over With—meaning a subtracted % of a main source
m	Million
bn	Billion
NAELP	National Alternative Employment and Livelihood Programme
AfCFTA	African Continental Free Trade Area

ABBREVIATIONS/ ACRONYMS

Acronyms	Full Meaning
MDAs	Ministries, Departments and Agencies
FDI	Foreign Direct Investment
NHIL	National Health Insurance Levy
NHF	National Health Fund
IGFs	Internally Generated Funds
SDI	Special Development Initiative
IMF	International Monetary Fund
SDR	Special Drawing Rights

2023 Pre-Appropriation Budget Framework

EXPENDITURE	2022 OUTTURN	2023 TARGETS	REVENUE	2022	2023
Capital Expenditure	GH¢15.7bn	GH¢27.6bn	Tax Revenue	GH¢75.3bn	GH¢112.4bn
Employees Compensation	GH¢38.5bn	GH¢45.0bn	Non-Tax Revenue	GH¢15.2bn	GH¢23bn
Debt Service (Interest Payment)	GH¢44.0bn	GH¢52.6bn	Grants	GH¢1.5bn	GH¢1.5bn
Grants to Other Gov't Unit	GH¢24.0bn	GH¢30.1bn	Social Contributions	GH¢0.4bn	GH¢0.5bn
Goods and Services, Social Benefits & Subsidies	GH¢6.4bn	GH¢8.9bn	Other Revenue	GH¢5.7bn	GH¢5.5bn
Arrears Clearance	GH¢16.4bn	GH¢14.4bn			
Other Expenditure	GH¢8.3bn	GH¢26.7bn			
Total Expenditure	GH¢153bn	GH¢205bn	Total Revenue	GH¢98.1bn	GH¢144bn
			Deficit	GH¢61bn	

2023

Pre-Appropriation Budget Allocation

MDAS ALLOCATIONS	2022 (GH¢)	2023 (GH¢)	MDAS ALLOCATIONS	2022 (GH¢)	2023 (GH¢)
OFFICE OF GOVERNMENT MACHINERY	3,130,663,000	1,428,303,634	MINISTRY OF WORKS AND HOUSING	429,812,000	474,272,618
OFFICE OF THE HEAD OF CIVIL SERVICE	45,332,000	50,229,759	MINISTRY OF ROADS AND HIGHWAYS	4,000,673,000	5,295,359,626
PARLIAMENT OF GHANA	510,777,000	645,864,570	MINISTRY OF COMMUNICATIONS AND DIGITALISATION	506,831,000	787,742,208
AUDIT SERVICE	536,340,000	515,423,930	MINISTRY OF RAILWAYS DEVELOPMENT	575,970,000	618,238,687
PUBLIC SERVICES COMMISSION	24,492,000	28,042,940	MINISTRY OF TRANSPORT	921,843,000	1,226,619,067
ELECTORAL COMMISSION	118,611,000	386,047,606	MINISTRY OF EDUCATION	17,786,819,000	22,902,600,752
MINISTRY OF FOREIGN AFFAIRS AND REGIONAL INTEGRATION	574,737,000	816,754,514	MINISTRY OF EMPLOYMENT AND LABOUR RELATIONS	258,170,000	76,699,342
MINISTRY OF FINANCE	1,032,321,000	2,405,469,947	MINISTRY OF YOUTH AND SPORTS	318,330,000	395,723,261
MINISTRY OF LOCAL GOVERNMENT, DECENTRALISATION AND RURAL DEVELOPMENT	1,861,353,000	2,074,323,448	NATIONAL COMMISSION FOR CIVIC EDUCATION	88,144,000	84,438,420
NATIONAL MEDIA COMMISSION	9,026,000	12,000,000	MINISTRY OF HEALTH	10,996,595,000	15,284,915,255
NATIONAL DEVELOPMENT PLANNING COMMISSION	22,409,000	13,265,310	MINISTRY OF CHIEFTAINCY AND RELIGIOUS AFFAIRS	83,259,000	44,980,080
MINISTRY OF INFORMATION	151,896,000	141,464,328	MINISTRY OF GENDER, CHILDREN AND SOCIAL PROTECTION	1,143,421,000	1,486,528,696
RIGHT TO INFORMATION COMMISSION	18,005,000	18,085,132	NATIONAL LABOUR COMMISSION	6,276,000	8,618,360

2023 PROPOSED BUDGET ALLOCATION

MDAS ALLOCATIONS	2022 (GH¢)	2023 (GH¢)	MDAS ALLOCATIONS	2022 (GH¢)	2023 (GH¢)
MINISTRY OF PARLIAMENTARY AFFAIRS	8,111,000	6,455,381	OFFICE OF THE ATTORNEY-GENERAL AND MINISTRY OF JUSTICE	195,539,000	370,400,465
MINISTRY OF FOOD AND AGRICULTURE	1,103,171,000	2,153,234,369	OFFICE OF THE LEGAL AID COMMISSION	20,362,000	21,465,196
MINISTRY OF FISHERIES AND AQUACULTURE DEVELOPMENT	80,122,000	213,308,813	MINISTRY OF DEFENCE	2,243,824,000	3,742,913,487
MINISTRY OF LANDS AND NATURAL RESOURCES	1,369,338,000	1,350,964,580	COMMISSION ON HUMAN RIGHTS AND ADMINISTRATIVE JUSTICE	60,852,000	45,400,308
MINISTRY OF TRADE AND INDUSTRY	602,064,000	587,214,053	JUDICIAL SERVICE	574,987,000	437,321,836
MINISTRY OF TOURISM, ARTS AND CULTURE	115,694,000	260,948,961	MINISTRY OF THE INTERIOR	5,167,809,000	5,619,566,342
MINISTRY OF ENVIRONMENT, SCIENCE, TECH AND INNOVATION	574,856,000	615,430,060	MINISTRY OF NATIONAL SECURITY	816,787,000	1,093,121,513
MINISTRY OF ENERGY	561,342,000	917,458,745	OFFICE OF THE SPECIAL PROSECUTOR	170,504,000	129,549,380
MINISTRY OF SANITATION AND WATER RESOURCES	801,036,000	1,847,454,548	NATIONAL PENSIONS REGULATORY AUTHORITY		98,461,210

Cost Of Government Flagship Programmes (Ghc) -2023

All government flagship programs—Free SHS, “One District, One Factory,” “One Village, One Dam,” planting for food and jobs programs, et al— were initiated as synergy for the people to participate in growing an inclusive economic growth.

The government’s flagship programs comprise 16 strategic interventions they’ve established to promote economic growth, boost food security, promote job creation, and improve the incomes and well-being of Ghanaians, especially the poor. They have been implemented for about seven years in line with its mandate

Cost Of Government Flagship Programmes

Programme Description	Total (GH₵)
Free Senior High School Programme	2.95bn
Roads Infrastructure	2.63bn
School Feeding Programme	969m
Planting for Food and Jobs	660.56m
Infrastructure for Poverty Eradication Programme	526.57m
Livelihood Empowerment Against Poverty	395.07m
Nursing Trainee Allowances	265.20m
Teacher Trainee Allowances	241.91m
One District One Factory Programme	200.41m
Railways Development	164.57m
Regional Reorganisation and Development	38.80m
National Identification Authority	37.60m
Fish Landing Sites	26.30m
Zongo Development Fund	24.40m
Microfinance and Small Loans Centre	14.40m
Water and Sanitation Initiative	4.48m

Total: GH₵9.23bn

Key Initiatives In The 2023 Budget

YouStart

In 2023, Government will fully roll out all the key elements of the YouStart Programme i.e. training and equipping applicants with the relevant skills, access to market, technology and financial support to enable them to start and grow their businesses.

The Ghana Enterprises Agency (GEA), the National Entrepreneurship and Innovation Programme (NEIP), and partner financial institutions, will serve as the implementing arms of YouStart.

One District One Factory (1D1F)

To date, 296 1D1F projects are at various stages of implementation, out of which 126 are currently operational, 143 are under construction, and 27 are pipeline projects.

In 2023, the government will intensify support to existing and new manufacturing enterprises with technical assistance, credit facilitation, and access to electricity and other infrastructure.

Automotive Assembly Programme

The government developed a new Components Manufacturing Policy which seeks to

support the production and supply of components and spare parts for the automotive industry. The Ministry of Trade and Industry will launch and commence implementation of the policy in 2023.

Planting for Food and Jobs

The Planting for Food and Jobs program will continue under the Ministry of Food and Agriculture (MOFA).

The Planting for Food and Jobs (PFJ) program will be complemented by the under-listed specialized interventions that will serve as direct and indirect responses to the current crisis. This includes the promotion of organic fertilizers, regulation of grain exports, fisheries, and aquaculture development, among others

Livelihood Empowerment Against Poverty (LEAP) Programme

The government is committed to expanding coverage to all 2,500,000 extremely poor individuals as estimated by the Ghana Living Standards Survey (GLSS 7) by 2024. In addition, to mitigate the impact of increasing cost of living, the government will double the amount of the LEAP grant from GH¢45.00 per household to GH¢90.00.

A Quick Review Of The 2023 Budget

As articulated in the Post-COVID-19 program for Economic Growth (PC-PEG), the 2023 national budget aims to restore macroeconomic stability and accelerate economic transformation. This is built on the theme of “Restoring and Sustaining Macroeconomic Stability and Resilience through Inclusive Growth & Value Addition.” It is built around a seven-point agenda that focuses on aggressively mobilizing domestic revenue through various tax reforms, streamlining and rationalizing expenditures, increasing local productive capacity, promoting and diversifying exports, protecting the poor and vulnerable, expanding digital and climate-responsive physical infrastructure, and implementing structural and public-sector reforms.

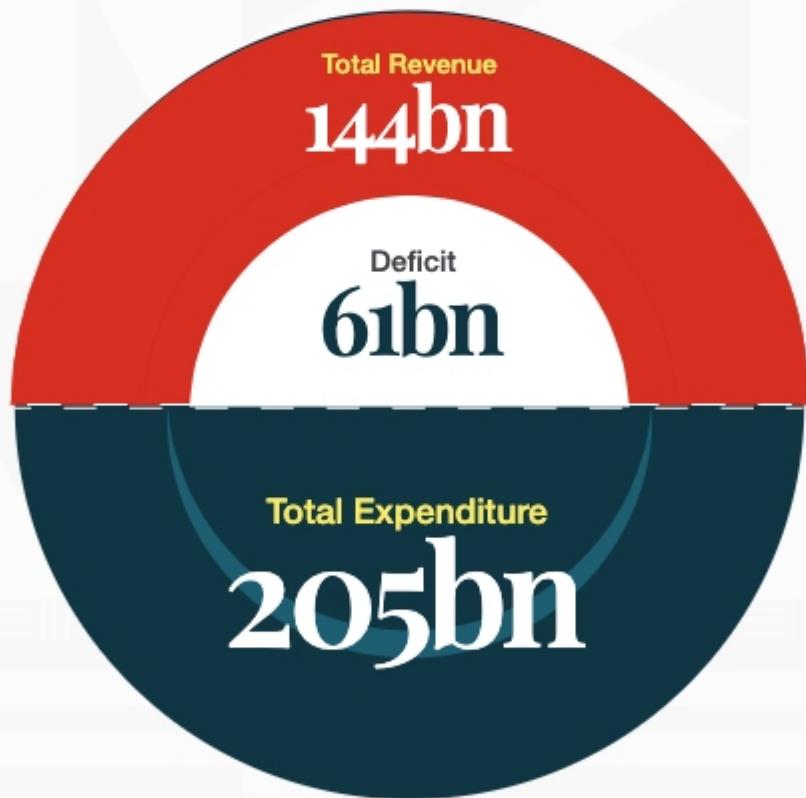
To accomplish these goals, the government has established three critical imperatives—successfully negotiating a strong IMF program, coordinating an equitable debt operation program, and attracting significant green investments. This will allow the government to generate significant revenue, create needed fiscal space for the provision of essential public services, and make the PC-PEG revitalize and transform the economy easier to implement.



It is built around a seven-point agenda that focuses on aggressively mobilizing domestic revenue through various tax reforms, streamlining and rationalizing expenditures, increasing local productive capacity, promoting and diversifying exports, protecting the poor and vulnerable, expanding digital and climate-responsive physical infrastructure, and implementing structural

A QUICK REVIEW OF THE 2023 BUDGET

The Ghanaian government anticipates spending about GH₵205 billion in 2023, a 34% increase from the GH₵153 billion in its 2022 expenditure budget. Furthermore, there is a 47% increase in revenues and grants totaling 144 billion Ghana cedis for the 2023 budget, compared to GH₵98.1 billion in 2022. Despite the expected increase in revenue, the 2023 budget still has a deficit of GH₵61 billion Ghana cedis, a 34% increase over the 40 billion cedi shortfall for 2022.



Unit = GH₵

Government Intervention Strategies

Due to the existing high levels of debt and recent credit rating downgrades, the government is seeking to restore and accelerate macroeconomic stability and economic transformation, placing a strong premium on improving domestic revenue mobilization.

The government has proposed a number of measures to increase domestic revenue, including enacting a minimum income tax, starting extensive property tax collection, adding a third PAYE tax band of 35%, raising the VAT by 2.5%, increasing the concessionary tax rate from 1% to 5%, and expanding the application of the National Fiscal Stabilization Levy (NSFL) to cover more industries, among others.

The government also established spending priorities intended to increase spending efficiency, make sure projects approved are in line with budget allocations, review significant government programs to reflect relevance, promote efficiency, ensure value for money, and examine the efficacy of statutory funds. While the aforementioned initiatives are admirable, the government must establish the necessary safeguards for careful implementation.

Along with the previously mentioned spending and revenue cuts, the government also wishes to conclude its discussions with the IMF as soon as possible. The ability of an IMF program to boost economic confidence and reset growth potential has been widely acknowledged. This is a critical step towards restoring and preserving macroeconomic and financial stability to attract foreign direct investment.

Ghanaians are concerned about the state of the economy and the government's ability to restore stability and investors' confidence at this time. The 2023 budget is essential for the stability of the country's economy, so the government must carefully implement development plans while staying open and accountable. To ensure efficiency in implementing key projects, the Ghanaian government must take a collaborative approach to budget implementation, working with citizens, civil society groups, and the media.

List Of Ghana-IMF Programs

(IN THOUSANDS OF SDRs)

IMF FACILITY PROGRAMS	DATE OF ARRANGEMENTS	EXPIRATION DATES	AMOUNT AGREED	AMOUNT DRAWN	AMOUNT OUTSTANDING
STANDBY ARRANGEMENT	May 17, 1966	May 16, 1967	36,400	31,400	0
STANDBY ARRANGEMENT	May 25, 1967	May 24, 1968	25,000	25,000	0
STANDBY ARRANGEMENT	May 28, 1968	May 27, 1969	12,000	12,000	0
STANDBY ARRANGEMENT	May 29, 1969	May 28, 1970	5,000	5,000	0
STANDBY ARRANGEMENT	Jan 10, 1979	Jan 09, 1980	53,000	32,000	0
STANDBY ARRANGEMENT	Aug 03, 1983	Aug 02, 1984	238,500	238,500	0
STANDBY ARRANGEMENT	Aug 27, 1984	Dec 31, 1985	180,000	180,000	0
STANDBY ARRANGEMENT	Oct 15, 1986	Oct 14, 1987	81,800	81,800	0
STRUCTURAL ADJUSTMENT	Nov 06, 1987	Nov 09, 1988	129,858	40,900	0
EXTENDED FUND FACILITY	Nov 06, 1987	Nov 09, 1988	245,400	97,550	0
EXTENDED CREDIT FACILITY	Nov 09, 1988	Mar 05, 1992	388,550	388,550	0
EXTENDED CREDIT FACILITY	Jun 30, 1995	May 02, 1999	164,400	137,000	0
EXTENDED CREDIT FACILITY	May 03, 1999	Nov 30, 2002	228,800	176,218	0

LIST OF GHANA-IMF PROGRAMS

IMF FACILITY PROGRAMS	DATE OF ARRANGEMENTS	EXPIRATION DATES	AMOUNT AGREED	AMOUNT DRAWN	AMOUNT OUTSTANDING
EXTENDED CREDIT FACILITY	May 09, 2003	Oct 31, 2006	184,500	184,500	0
EXTENDED CREDIT FACILITY	Jul 15, 2009	Jul 23, 2012	387,450	387,450	257,641
EXTENDED CREDIT FACILITY	Apr 03, 2015	Apr 02, 2019	664,200	531,360	531,360
SUB-TOTAL			3,024,858	2,549,228	789,001
EXTENDED CREDIT FACILITY	A THREE-YEAR EXTENDED CREDIT FACILITY UNDER NEGOTIATION		2,242,000	YET TO BE DETERMINED	-

Source: <https://www.imf.org/external/np/fin/tad/extarr2.aspx?memberKey1=350&date1key=2018-05-31>

Key Assumptions Of The 2023 Budget Framework

(IN THOUSANDS OF GH¢)

Ghana's overall GDP is expected to grow by 2.8% in 2023, down from 3.7% in 2022. The projected GDP growth rate of 2.8% is higher than the 1.6% projected global GDP growth rate in 2023. In 2023, non-oil GDP growth is expected to be 3.0%. Overall, GDP growth is expected to average 4.3% per year between 2023 and 2026.

MACROECONOMIC TARGETS	2021 OUTTURN	2022 REVISED TARGETS	2022 OUTTURN	2023 TARGETS
OVERALL REAL GDP GROWTH	5.4%	3.7%	3.5%	2.8%
NON-OIL REAL GDP GROWTH	6.9%	4.3%	5.1%	5.9%
INFLATION RATE (END OF YEAR)	12.6%	28.5%	40.4%	18.9%
FISCAL DEFICIT (% OF GDP)	9.2%	6.6%	7.4%	7.7%
PRIMARY BALANCE (% OF GDP)	1.9%	0.4%	2.0%	0.7%
GROSS INTERNATIONAL RESERVES	4.3%	3.5%	2.9%	3.3%

2023 Key Benchmarks

OIL PRODUCTION



420,020

Barrels per Day

AVERAGE OIL PRICE PER BARREL



\$61.23

per Barrel

GOLD PER OUNCE



\$1816.08

per Ounce

GDP



\$70.09bn

AVERAGE EXCHANGE RATE



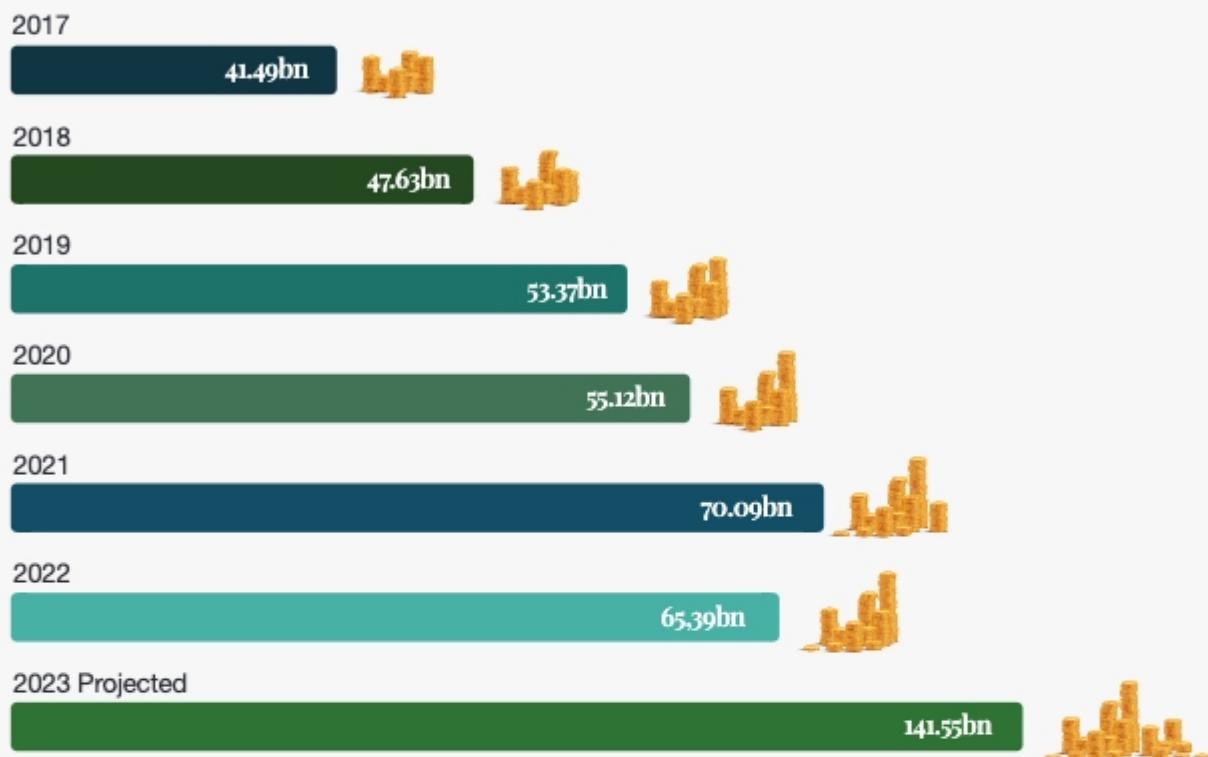
GH₵12.20/\$1

Red Chart

Inflation Trend (2017–February 2023)

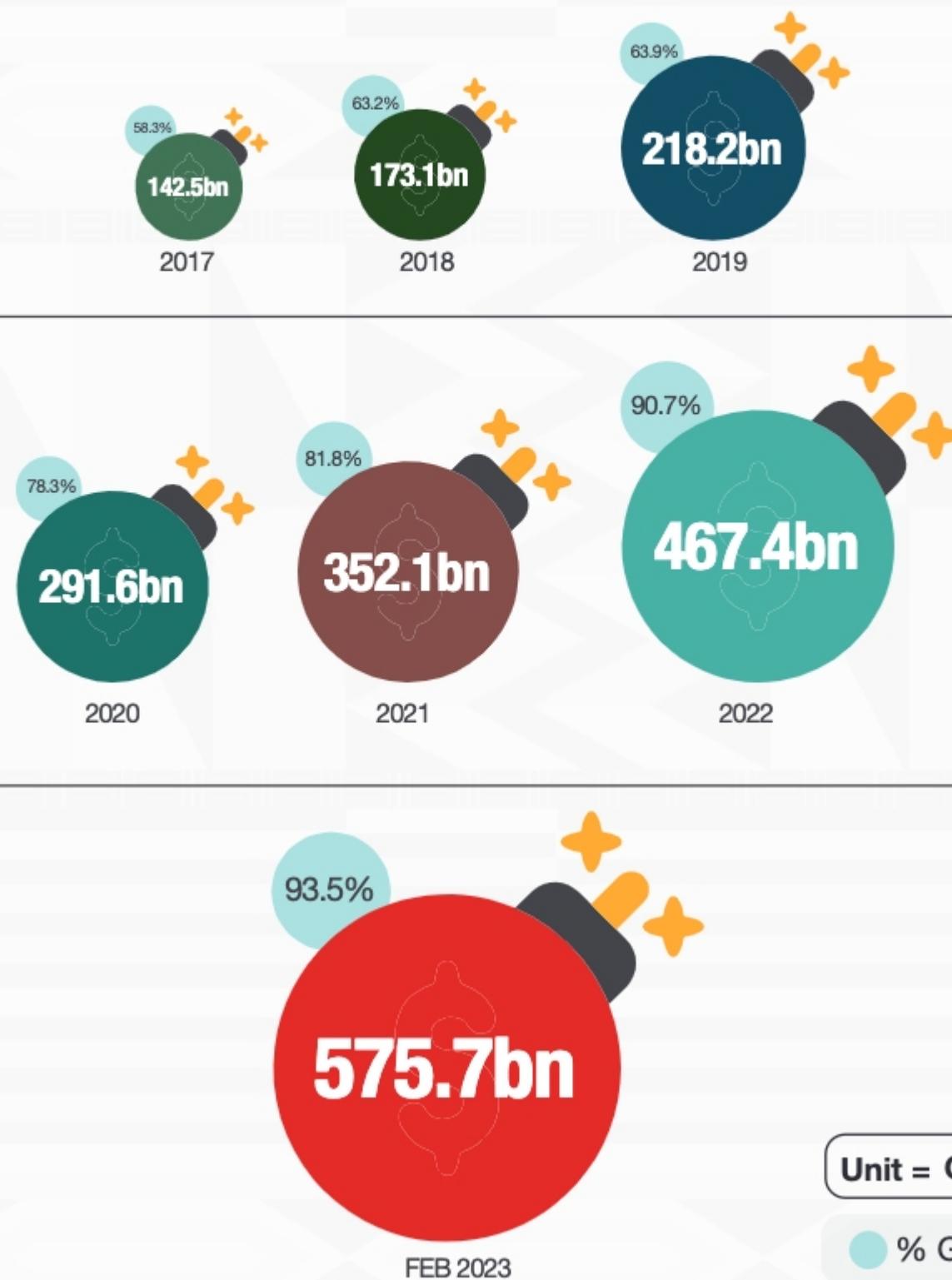


Government Revenue Trend (2017–Expected 2023)



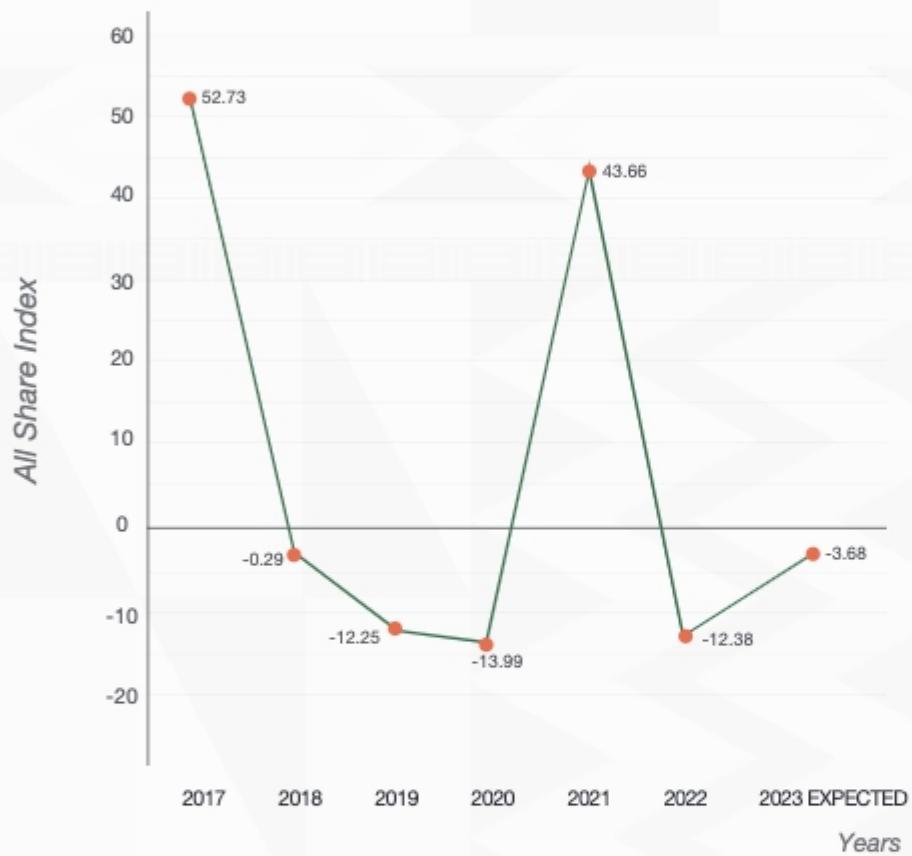
Unit = GH₵

Government Debt Stock Trend (2017–February 2023)



Asset Class

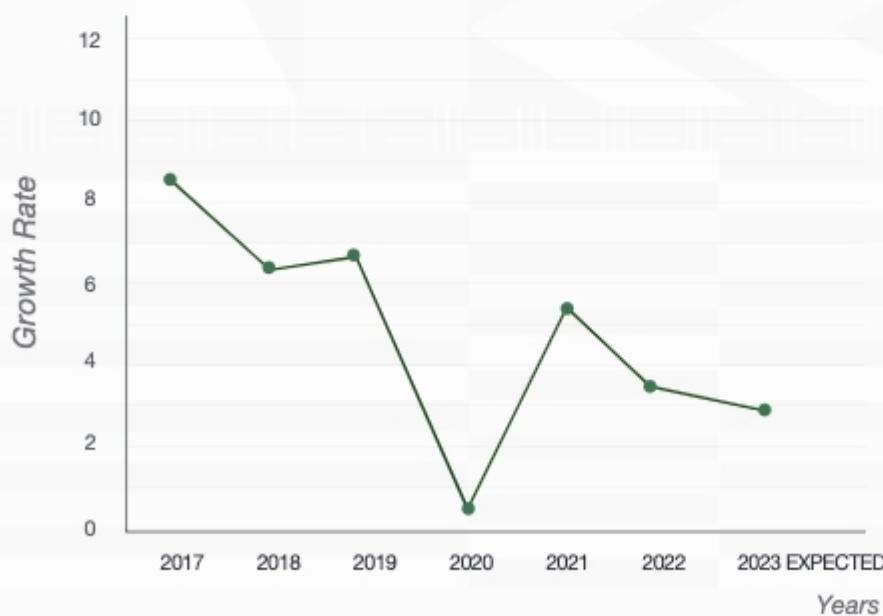
Ghana Stock Exchange returns
(All-share-index)



Total Reserves (2017–2023)



Economic Growth (2017–2023)



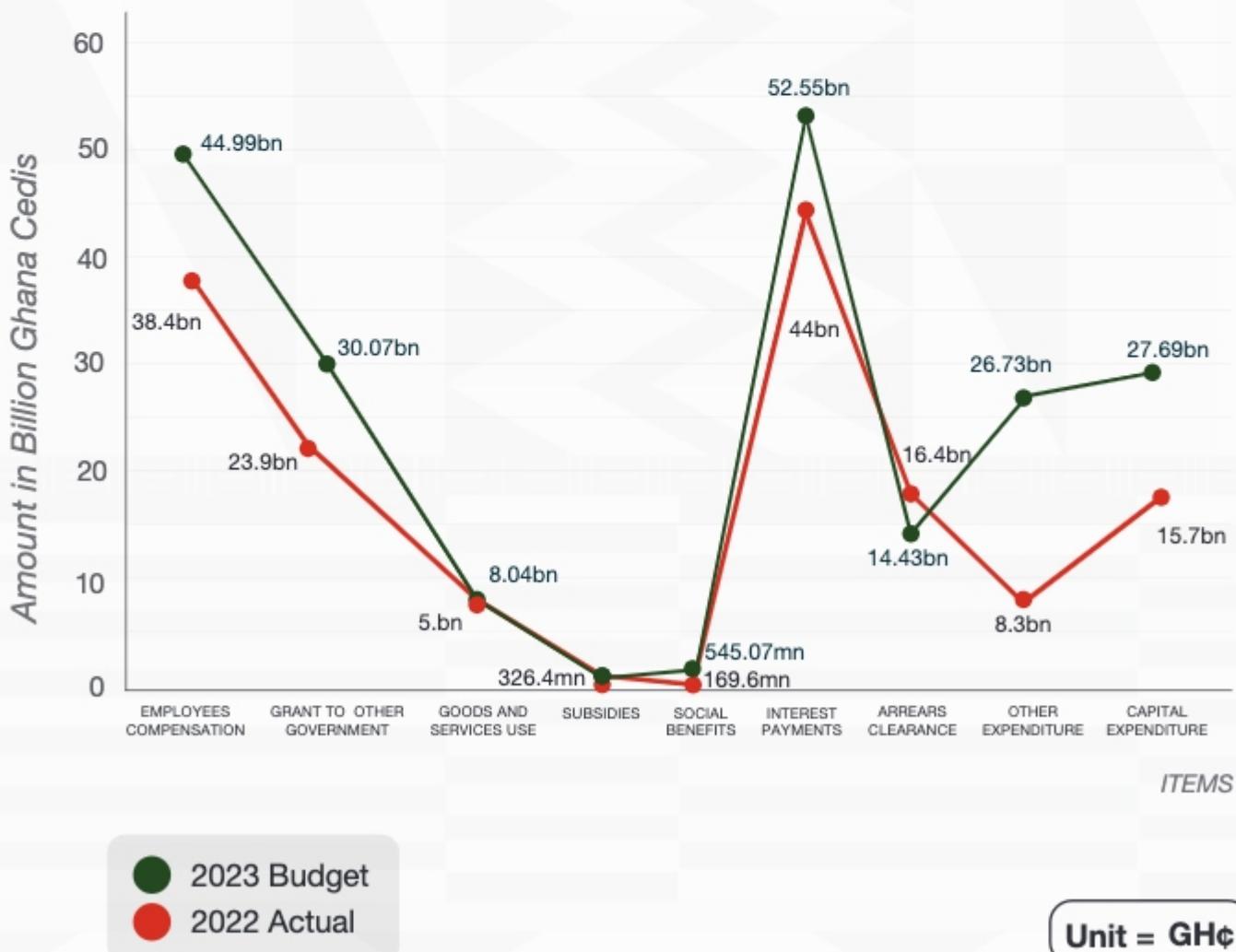
Unboxing the 2023 Budget

Government Expenditure

The Ghanaian government intends to spend GH¢205 billion in 2023 on various public services, programs, and initiatives to fulfill its responsibilities and meet the needs of its citizens. It includes expenses and funding for education, healthcare, defense, infrastructure development, social welfare programs, and other public services.

Non-debt recurrent spending is GH¢110.75 billion, capital spending is GH¢27.69 billion, debt service is GH¢52.5 billion, and others is GH¢14.06 billion. Staff compensation and grants to other government agencies are the primary drivers of this increase. The Ghanaian government increased its capital spending budget by 24% from GH¢15.7 billion in 2022 to GH¢27.69 billion in 2023, indicating that it has not forgotten about capital initiatives that could improve citizens' quality of life.

Total Budgeted Expenditure Recent Trend



Government's Spending Priorities In 2023

Recurrent Expenditure

This includes salaries, goods and services, subsidies, social benefits, and transfers to local governments and other agencies. This year, the government intends to spend GH¢98.42 billion up from GH¢84.99 billion in 2022. Approximately (48%) of the government's total spending will go toward government maintenance and day-to-day operations.



Employees Compensation

Year after year, the expected total expenditures have always been dominated by wages and salaries. This year won't be any different, as it is anticipated to account for almost 21.9% of all 2023 spending.



Subsidies and Social Benefits

Ghana's government is estimated to spend GH¢895.61mn on subsidies and social benefits, accounting for 0.4% of the country's total budget of GH¢205bn.



Grants to Other Government Units

A grant to other government units is a monetary award made by a government authority to other government units for a worthy project. It includes statutory transfers and earmarked funds, amounting to GH¢30.07bn, which will be funded by 14.6% of the total expenditure of GH¢205bn in 2023.



Statutory Transfers

These are sums of money given to government organizations that are legally required to receive funding from sources other than executive agencies. From the total expenditure of GH¢205 billion, 12% will be used to pay for statutory transfers totaling GH¢24.77 billion.



Earmarked Funds

These are monies set aside by the government to implement the government's Earmarked Funds Capping and Realignment Act, which has been in effect since 2017, to reduce budget rigidities and create fiscal space to fund growth-enhancing expenditures. This year, the government set aside 2.6% of the total expenditure (GH¢205bn).

 **5.42bn**
Earmarked Funds



Capital Expenditure

These funds were used to acquire fixed assets and carry out projects like roads, hospitals, and security that will promote economic growth and meet citizens' requirements. According to the funding source, this expense is categorized. The estimated capital expenditure for Ghana is GH¢S27.69 billion, a 43% increase from the previous CAPEX (GH¢15.7 billion).

 **27.69bn**
Capital Expenditure



Debt Service (Interest Payment)

The sum of money set aside to cover interest and principal on a debt is known as debt service. Interest payments would cost the Ghanaian government GH¢52.55 billion in 2023, or 25.6% of its total expenditure.



Other expenditure

An estimated GH¢26.73 billion is allocated for other expenditures, that is about 13% of the total expenditure (GH¢205bn). This amount will be used to finance expenditures such as energy sector levies, financial sector costs, independent power producers, etc.



Expenditure Management Measures

The government has identified a variety of efforts to cut back on public spending as part of its cost-cutting measures. Key measures on expenditure will also be pursued to support the fiscal consolidation process. In this regard, it is proposed that the government will:

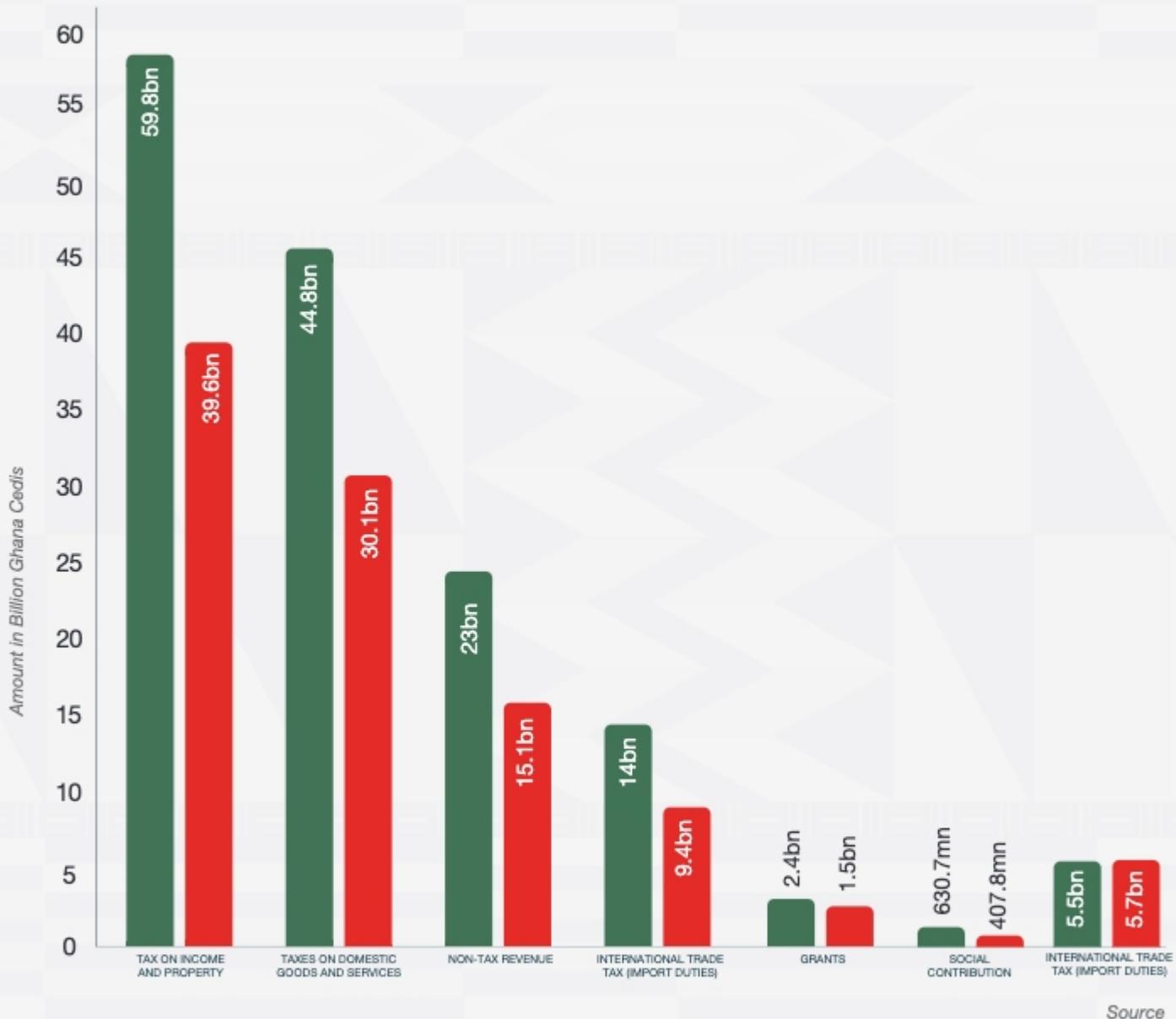
1. Reduce the threshold on earmarked funds from the current 25 percent of tax revenues to 17.5 percent of tax revenues
2. Migrate all earmarked funds into the Ghana Integrated Financial Management Information System (GIFMIS) platforms and ensure they use the GIFMIS platform to process all their revenue and expenditures transactions
3. Continue with a 30% cut in the salaries of the President, Vice President, Ministers, Deputy Ministers, MMDCEs, and political office holders, including those in State-Owned Enterprises
4. Place a cap on salary adjustment of SOEs to be lower than negotiated base pay increase on Single Spine Salary Structure for each year
5. A 2023 employment freeze for civil and public servants
6. To control the training intake for the two sectors, introduce financial clearance for enrollment in teacher and nursing training institutes
7. Review the financial clearance management, among other things. To restrict hiring into the public service, it is necessary to reflect a net zero hiring impact, be backed by a fiscal impact study that demonstrates net zero fiscal implications, and control recruitment into the education and health sectors

Government Revenue

This refers to the total income that a government receives from various sources, including taxes, fees, fines, tariffs, and other sources. The primary sources of revenue are taxes and non-tax revenue. The government has projected to earn GH¢144bn in revenue in 2023.

To increase revenue in Ghana, the government also proposes raising the current VAT rate on standard-rated supplies from 12.5% to 15%, reviewing the existing VAT registration threshold of GH¢200,000 (per annum), and lowering the current E Levy rate from 1.5% to 1% to increase mobile money transaction patronage and enhance the government's revenue mobilization drive through the E Levy. The government also intends to implement a unified common platform for all Metropolitan, Municipal, and District Assemblies (MMDAs) to help improve property tax rate collections and ensure accountability. It will also reintroduce road tolls and ensure that the Excise Tax Stamp on Textiles is fully implemented by the end of the first quarter of 2023.

Total Revenue Mobilization Recent Trend



Source

Key

■ 2023 ■ 2022 (OUTTURN)

Unit = GH¢

Where Will The Money Come From?

The government expects to generate GH₵141.5 billion in domestic revenue, which includes a tax refund of GH₵6.3 billion, and will cover 78% of the total budget and 98% of the GH₵144 billion in projected revenue.

Taxes on individual and corporate incomes, wealth accumulation, manufactured goods, and services, exports, and imports collectively generate tax revenue of GH₵112.3bn. Tax revenue has consistently been a major source of income for the government, making about 72% of the GH₵144bn in total projected revenue this year.

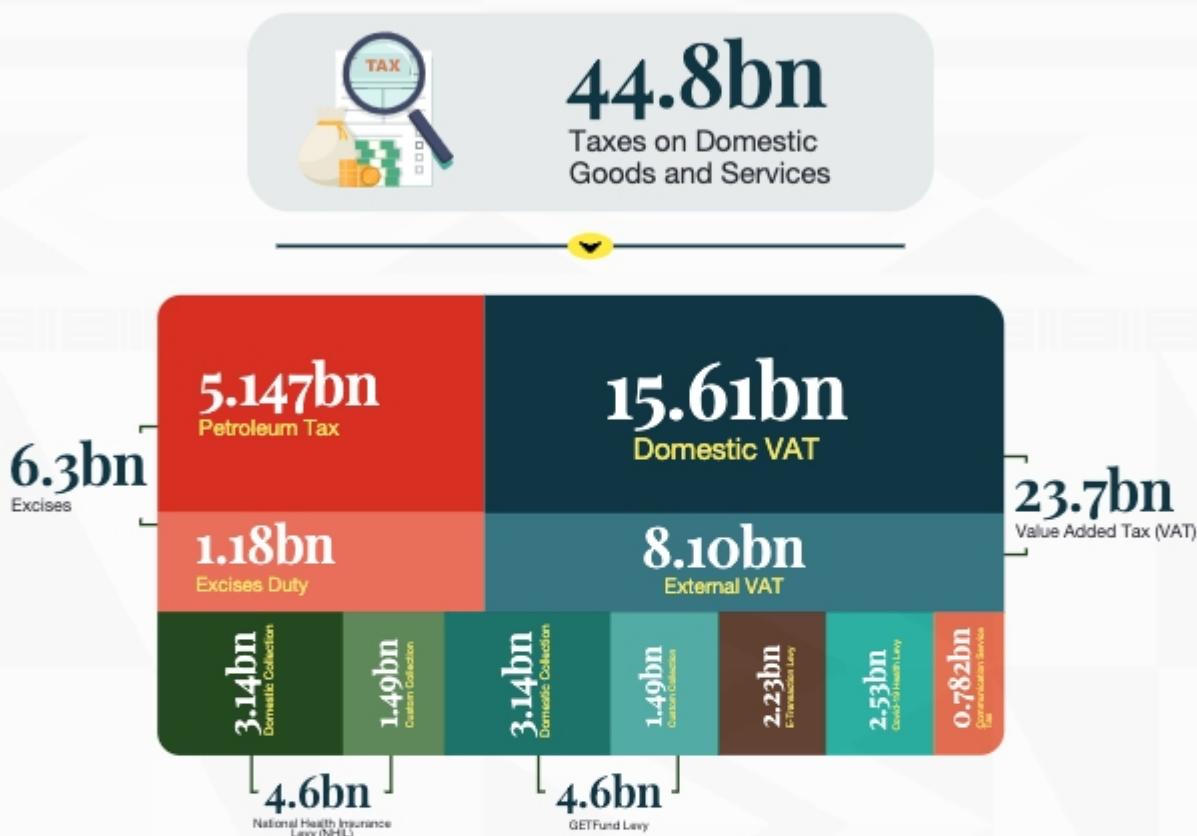
TAXES ON INCOME AND PROPERTY



BREAK-DOWN OF OTHER INCOME AND PROPERTY TAXES



Consumer goods and services are subject to domestic goods and services taxes (DGST). This source's inflow ranks second in importance, contributing 31% of all anticipated tax revenue in 2023.



Revenue from taxes on cross-border economic activity, such as import and export duties, exchange profits, and exchange taxes, is known as international trade taxes. The amount coming in from this source will make up 9.7% of the GH¢144 billion in overall tax collections.



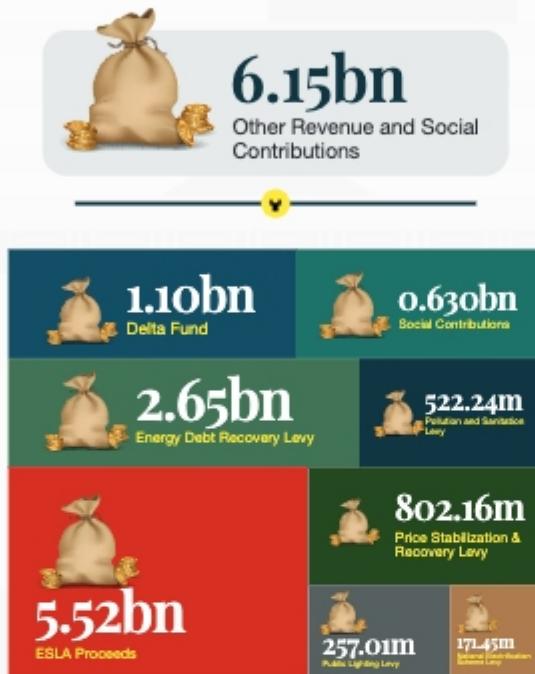
Non-tax Revenue

The recurring money that the government receives from sources other than taxes is known as non-tax revenue. Non-tax revenue of GH¢23.04 billion is 16% of the year's total projected income of GH¢144 billion.



Other Revenue And Social Contribution

Other sources of revenue (GH¢6.15bn) are expected to generate 4.27% of the total revenue projection of GH¢144bn.



Grant Support

The government also funds its ideas and initiatives through grants to provide public services and stimulate the economy. Grants disbursed by development partners are anticipated to be GH¢2.40bn, a 60% increase from the budgeted GH¢1.5bn in 2021. The projected grant disbursements for this year will only be utilized for projects.

Project Grants



Unit = GH¢

Revenue Measures

- Tax Revenue Measures
- Direct Tax Measures

REVENUE POLICY MEASURES	EXPLANATION	BUDGIT'S TAKE
Implement a minimum chargeable income system	The introduction of a minimum chargeable income system for corporate entities.	
Tax on withdrawals from 3rd Tier Provident Funds and personal pension schemes waiver	The introduction of a minimum chargeable income system for corporate entities.	It is encouraging to see the government taking into account employees' and independent contractors' situations during the current economic crisis by providing aid to people such as withdrawals from their 3rd tier provident funds payments.
Review the 15% optional rate for individuals on assets realization	The government proposes to review the existing 15 optional rates for individuals on assets realization.	By reviewing the benefit-in-kind method, the government can increase its revenue from employment income tax (via the vehicle element restriction). As a result, employees who take advantage of these benefits will almost certainly have to pay more taxes.
Review the upper limits for vehicle elements for PAYE purposes	The existing vehicle element limits used in ascertaining the benefit-in-kind for individual income taxes purposes do not meet current market rates due to inflationary pressures. The government is proposing a review of the current upper limits to reflect current trends.	All corporate entities will be required to pay corporation tax if a minimum chargeable income scheme is implemented. However, the government must consider exclusions and reliefs for specific types of businesses. Start-ups, for example, may be exempt for the first three to four years of operation. This prevents new firms from being subjected to unfairly higher tax burdens during the investment period. Businesses with stability provisions and amended tax agreements, on the other hand, may be unaffected because their agreements protect them from new taxes. As a result of this change, the effective corporate tax rate would rise from around 27% to 36%, which could affect Ghana's attractiveness to investors.

REVENUE POLICY MEASURES	EXPLANATION	BUDGET'S TAKE
Introduce an additional PAYE tax band with a tax rate of 35%	The government has proposed an additional income tax bracket with a tax rate of 35% to be imposed on high-income earners. This is in line with the progressive principle of taxation and is intended to enhance revenue mobilization for the government	Introducing the third 35% PAYE band is a progressive taxation principle that will likely increase the government's revenue. However, considering the high living costs lately, it is necessary to consider how this will affect employees' disposable income and their ability to spend and provide for their dependents. Implementing a separate withholding tax rate for profits on assets and liabilities realization may broaden the tax net. The Ghana Revenue Authority (GRA) should be able to identify and locate individuals who sell assets using the WHT tax return information and collect the additional tax due after withholding.
Introduce a withholding tax (WHT) regime for gains on assets and liabilities realization	The government intends to introduce a separate withholding tax regime for gains on capital assets and liabilities realization to counteract the revenue losses arising from the difficulty in identifying capital gains for tax purposes.	
Convert the National Fiscal Stabilization Levy (NFSL) into a Growth and Sustainability Levy (GSL) to cover all other sectors	The government to expand the scope of NFSL by introducing GSL to cover other sectors of the economy. The government groups the sectors into three main categories. Category A entities comprise those who are currently paying NFSL and six additional sectors will have a GSL rate of 5%. Category B entities comprising all other entities (except for the extractive sector) will have a GSL rate of 2.5%. Category C entities comprising the extractive sector entities will have a GSL rate of 1% of production.	
Increase the existing 1% concessional to 5%	The government plans to increase the existing concessional rate from 1 to 5 to enhance the revenue base. The following businesses (agroprocessing, manufacturing, etc.) pay a 1% tax during their tax holidays and are mandated to pay the actual tax rates after the tax holidays have expired.	
Unifying the existing Carry Over of Tax Loss provisions in the Income Tax Act 896	The government is proposing a unified period of carryover of tax loss to streamline the administration of the carryover provision.	

REVENUE POLICY MEASURES	EXPLANATION	BUDGIT'S TAKE
Deductibility of Foreign Exchange Losses	<p>The government is proposing to: Limit the deductibility of foreign exchange losses to only realized losses.</p> <p>Restrict exchange losses on capital assets to be capitalized other than deducted in the year in which they are incurred.</p>	<p>Limiting tax deductions to realized foreign exchange losses and capitalizing foreign exchange losses incurred on capital assets will push back their deduction dates. The proof of realization that the GRA would look for during tax audits presents a hurdle with this strategy.</p> <p>This is the same as the status under the repealed version of Act 592.</p> <p>The following factors need to be considered to enable successful implementation:</p> <ol style="list-style-type: none">I. A stakeholder discussion to determine the implications of this move and determine the size of any realized exchange losses.II. An explanation of realized exchange losses, with special consideration for years when the nation experiences significant currency depreciation.
Introduce an additional PAYE tax band with a tax rate of 35%	<p>The government is proposing to introduce: Tax on Gross Gaming Revenue to replace Corporate Income Tax and VAT. Withholding tax on winnings.</p>	<p>Before the VIT is reviewed, consultation with the GPRTU and the general public must begin.</p>
Vehicle Income Tax (VIT) Sticker and Income Tax Stamp rates review in 2023	<p>The government is to review the VIT and Income Tax Stamp to enhance its competitiveness.</p>	

Indirect Tax Measures

REVENUE POLICY MEASURES	EXPLANATION	BUDGIT'S TAKE
Increase in Value Added Tax (VAT) rate	The government proposes to increase the existing VAT rate on standard-rated supplies from 12.5% to 15%.	The cost of conducting business would increase due to the standard-rated supplies being subject to an additional 2.5% VAT, raising the effective VAT rate from 19.25% to 21.90%. The likelihood of passing on this additional expense to consumers is high. Taxpayers' predicament would worsen in these hard times due to an increase in VAT, leaving them with less disposable income.
Review existing VAT registration threshold under VAT Act 870	The government is proposing a review of the existing VAT registration threshold of GHS200,000 (per annum).	To ensure that people outside the tax net are brought in, the government should place more emphasis on compliance procedures. For instance, the Commissioner General claimed that the recent VAT invigilation exercise resulted in a temporary rise in revenue of roughly 1,700%. It is important to support these projects.
Introduce major reforms in connection with VAT exemptions	The government is proposing a general review of the VAT exemption regime.	
Review E Levy rate from 1.5% to 1%	The government intends to reduce the existing E Levy rate from 1.5% to 1% to increase the patronage of mobile money transactions and enhance the government's revenue mobilization drive from E Levy.	While reducing the e-levy to 1% is a great idea, the present economic crisis has worsened the plight of the vulnerable, who were protected when the law was created. Other options that the government could look at include capping the levy at a certain transaction threshold and reviewing the levy's exemptions to increase the use of digital payment platforms
The government intends to reduce the existing E Levy rate from 1.5% to 1% to increase the patronage of mobile money transactions and enhance the government's revenue mobilization drive from E Levy.		The complete reinstatement or abolition of the benchmark values has been the subject of numerous discussions. While some believe that ending the program will raise prices by making imports more expensive, it is also anticipated to enhance local manufacturing and help our regional industries. To make this program successful, the government needs to involve all interested parties and work toward a practical agreement.
Full implementation of Excise Tax Stamp on Textiles by the end of the first quarter of 2023		
Full rollout of Electronic VAT Invoicing (E-invoicing) to Large Taxpayers (including listed companies)		
Implement Customs Tariff with the 2022 version of the Harmonised Commodity Description and Coding System (HS Code) to enhance uniformity of trade within the region		

Non-tax Revenue Measures

REVENUE POLICY MEASURES	EXPLANATION	BUDGIT'S TAKE
Full roll out of the Unified Common Platform for Property Rate administration	The Unified Common Platform for Property Rates will be implemented by the government in the first quarter of 2023.	Property rates would be easier to collect because of the projected adoption of the unified platform for property rate administration in the first quarter of 2023. This will help the government reach its medium-term goal of increasing non-tax revenue. It is nevertheless important to keep in mind that for the unified common platform to function well, the current property registration procedure needs to be improved to make it simpler to identify and value properties.
Re-introduce road tolls	The government has suggested reintroducing road charges on a few of the nation's roadways. The government plans to use technology to manage road tolls to cut back on inefficiencies and revenue leaks.	
Revenue Assurance and Compliance Enforcement (RACE) program to focus on revenue from imported cargo	The government intends to increase the tariff rates of specifically imported cargo under ICUMS to ensure that it is consistent with other sources of information on commercially imported, cleared, and overstayed cargo.	

Other Revenue Compliance & Administration Measures

REVENUE POLICY MEASURES	EXPLANATION	BUDGIT'S TAKE
Introduce policies and processes for the Exemptions Act's full implementation in 2022 (Act 1083)	In 2023, the government intends to release administrative guidelines for the application of the Exemptions Act.	One of the keys to controlling government tax expenditure is the passage of the exemption act. To guarantee a successful execution, the administrative guidelines must be published. Since AOE participated in the majority of Ghana's petroleum agreements, we can be sure that they will be implemented correctly and effectively. A comprehensive analysis of these effects on our local operations and the cascade effect on oil revenue, if any, is essential in our drive to mobilize revenue in light of the increasing global oil prices.
Review of tax waivers and exemptions	Government plans to freeze tax waivers for foreign companies and review tax exemptions for free zone entities, mining, and oil and gas companies in 2023.	
Create a system that enables importers to self-clear products at the points of entry without using a custom house agent	The Customs Regulations, 2016 (L I 2258) were amended to include a self-clearing mechanism that enables importers to do so without the assistance of a customs house agent.	
Pursue Additional Oil Entitlement (AOE)	As part of the fiscal consolidation program, the government is considering additional revenue initiatives for implementation, including the pursuit of Additional Oil Entitlement (AOE) with regard to the Jubilee Field.	
Enhancing administration mechanisms to improve rent tax compliance		

Budget Deficit & Financing

This is a shortfall in revenue which means the government does not have enough money to cover its expenses. GH¢61.47 billion (about 7.7% of GDP) will finance the deficit between the government's projected revenue and budgeted expenditures, which is above the legally mandated ceiling of 5%. The deficit is expected to be financed from a number of sources—foreign and domestic. The foreign sources include exceptional financing (IMF SDR allocation), which will augment and reduce domestic borrowing needs. Other financing sources from multilateral and bilateral partners are expected in the context of the IMF program being negotiated and the implementation of a debt management strategy.

Budget deficit as a % of GDP



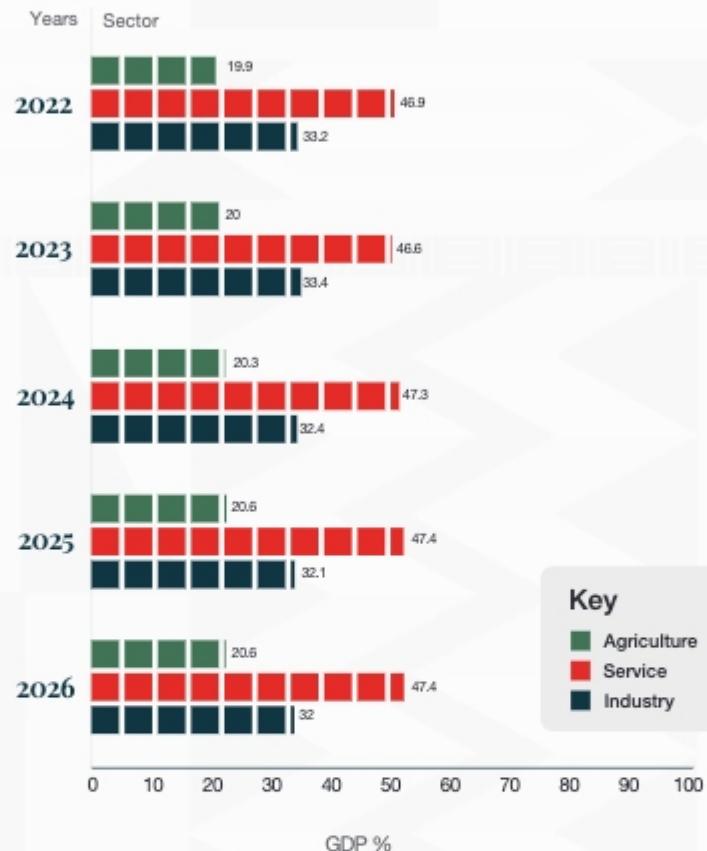
Unit = GH₵

Sector Distribution Of Gross Domestic Product

The service industry in Ghana has contributed the majority of the country's GDP over the previous years and is anticipated to continue doing so over the medium term with an average share of 48%, while the agriculture sector is anticipated to expand with an average share of around 21%.

Additionally, the industry sector contributes roughly a 31% rate to the GDP on average, over the medium term, making it the second-largest contributor. Though it has long been a key contributor to the Ghanaian economy, illegal mining is still a big worry in the industry's subsector. The government must prioritize efforts to stop illegal mining while simultaneously creating incentives to attract legal mining through easy access to financing and tax breaks, enabling small and medium-scale mining companies to start and expand production, thereby boosting activities and accelerating industry sector growth.

Distribution (GDP %) by industry



Sectoral Allocation

Sector allocation analysis is an assessment of the allocations by the government to the critical sectors of the economy, including the administrative, social, economic, infrastructure, and public safety sectors. This is to ensure that the financial condition and prospects of a given sector of the economy are considered in the economic policy planning of a given fiscal year. Sector analysis serves to provide citizens and investors with a judgment about how well each sector is expected to perform.

Social Sector

GH₵40.38bn



Public Safety Sector

GH₵11.45bn



Unit = GH₵

Economic Sector

GH₵6.09bn



3.39bn
MDA's Total
(DP & IGF)



6,09bn
Total Allocation



1.74bn
Recurrent Expenditure



956.59m
Capital Expenditure

Infrastructure Sector

GH₵10.24bn



6.76bn
MDA's Total
(DP & IGF)



10.24bn
Total Allocation



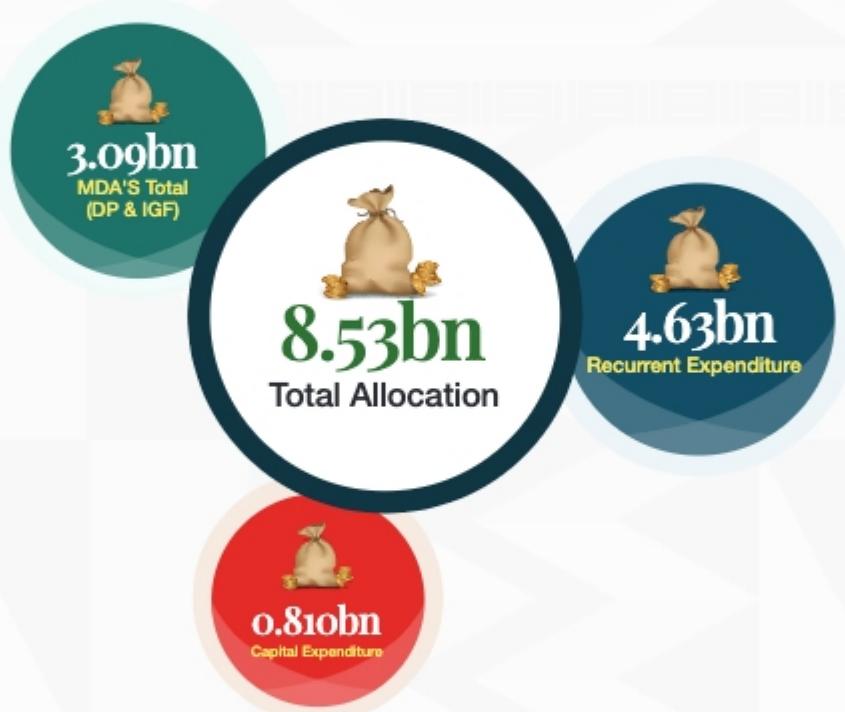
200m
Recurrent Expenditure



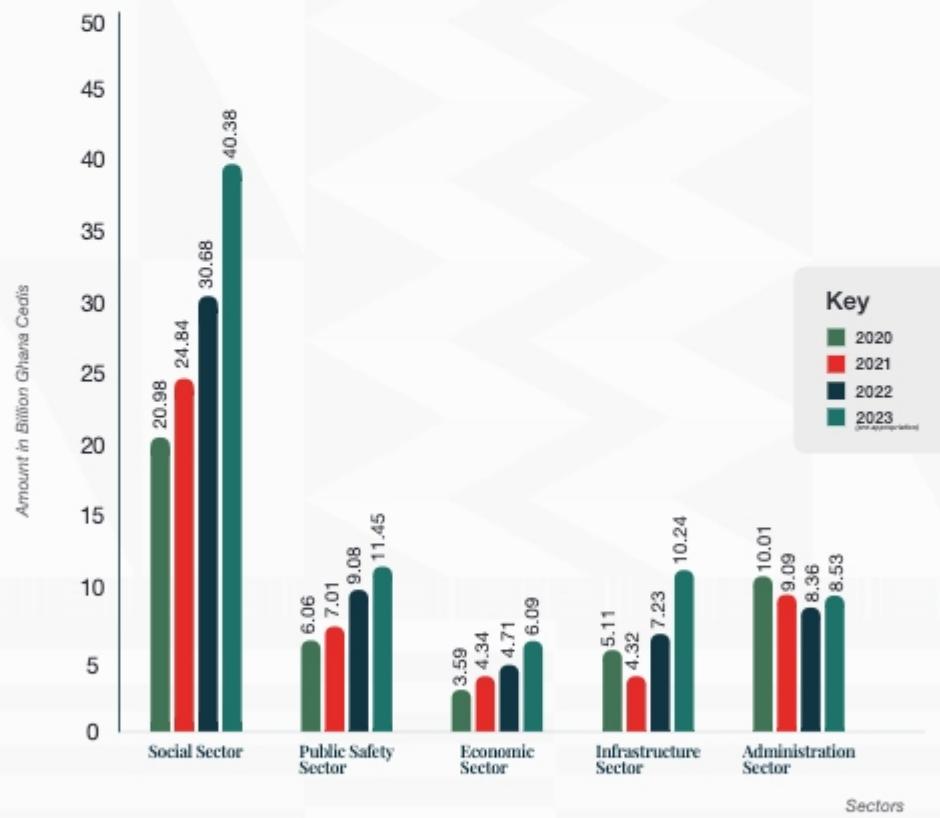
3.28bn
Capital Expenditure

Administration Sector

GH₵8.53bn



Trend Analysis Of Sectoral Allocation (Appropriation)



Spending Categories

The budget is divided into several categories, known as budget functions. These categories organize government spending into topics based on their purpose (e.g., Infrastructure, National Defense, Transportation, and Health).

Annual Budget Funding Amount (ABFA) Spending (Ghc) – 2023

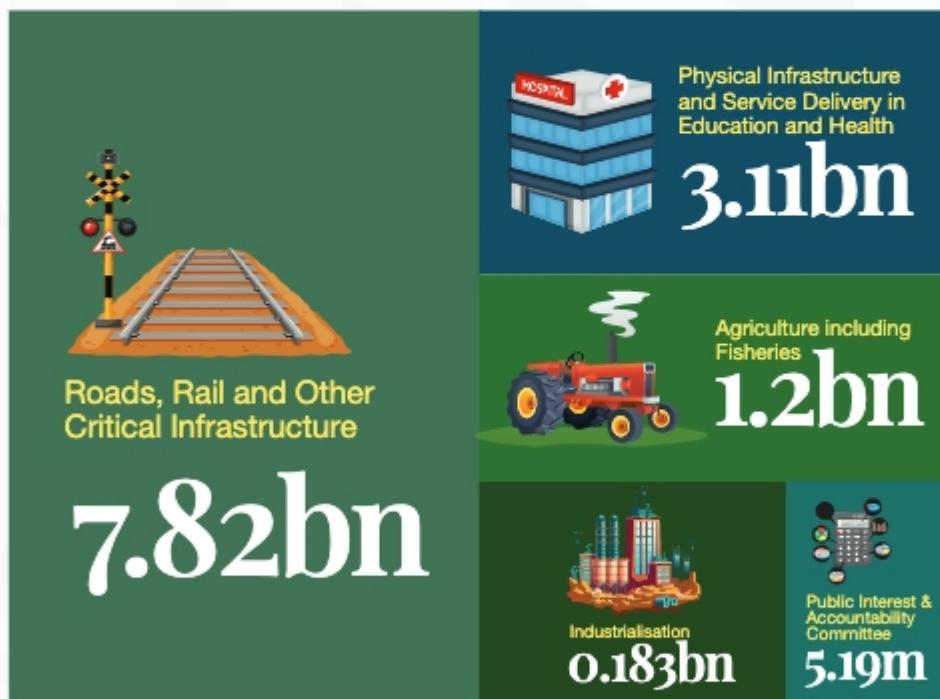
Annual Budget Funding Amount means the amount of petroleum revenue allocated for spending in the budget in the current financial year. The Petroleum Revenue Management Act (2015), Act 893 as amended, provides the framework for the collection, allocation, and management of petroleum revenue in a responsible, accountable, and transparent manner. It aims to regulate the collection, allocation, and management of petroleum revenue derived from upstream and midstream petroleum operations. The PRMA established four funds, namely the Petroleum Holding Fund, the Ghana Stabilization Fund, the Ghana Heritage Fund, and the Ghana Petroleum Wealth over which Section 26, of the PRMA, entrusted the Bank of Ghana with day-to-day operational management of the Fund.

The ABFA is the amount of petroleum revenues allocated to support Ghana's annual budget. Section 16 of the PRMA stipulates that disbursements can only be made from the Petroleum Holding Fund to a national oil company (NOC), the Consolidated Fund [Annual Budget Funding Amount (ABFA)], the Ghana Petroleum Funds, and for exceptional purposes as defined by the PRMA. Revenue shall be paid into the Annual Budget Funding Amount (ABFA), and not less than 30 percent shall be paid into the Ghana Petroleum Funds.

Breakdown Of Projected Annual Budget Funding Amount (ABFA) Spending (GH¢) – 2023

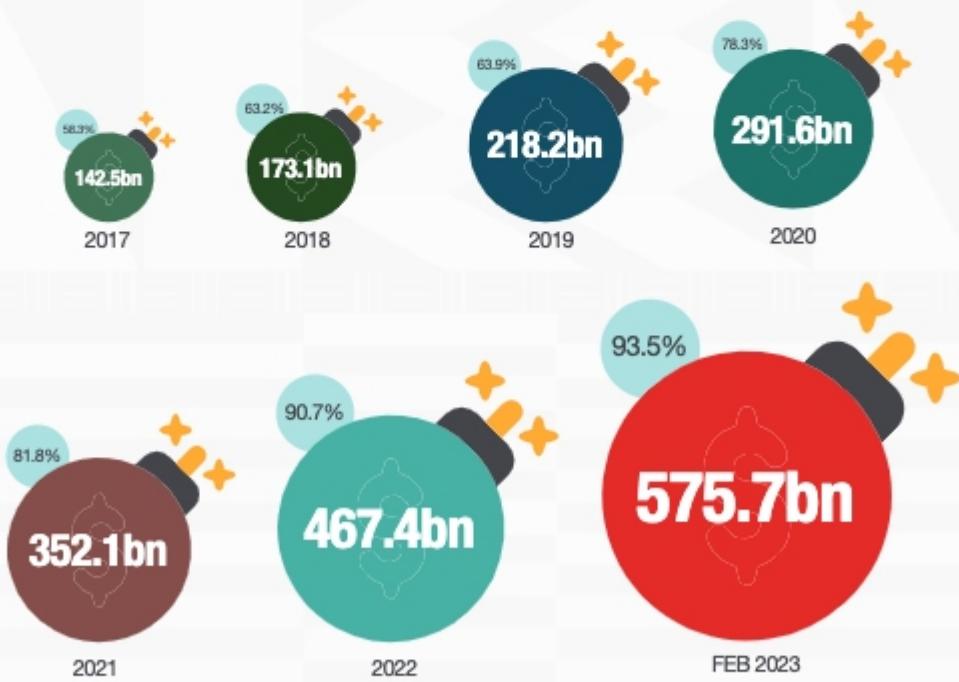
Total Allocation

12.33bn



Domestic Debt Exchange Programme

Government Debt Stock Trend (2017–February 2023)



Unit = GH¢

On December 5, 2022, the Ghanaian Government launched Ghana's Domestic Debt Exchange program, an invitation for the voluntary exchange of approximately GH₵137 billion of the domestic notes and bonds of the Republic, including E.S.L.A. and Daakye bonds, for a package of New Bonds to be issued by the Republic.

The government has structured the Domestic Debt Exchange Programme (DDEP) as a voluntary exercise, to shield domestic bondholders. The government has further engaged with stakeholders especially individual bondholders to mitigate any adverse impacts; while all are expected to contribute to overcoming the economic challenges. Important discussions have also been ongoing with financial institutions, notably in relation to forbearance measures, accounting treatment, as well as the structure and parameters of the Ghana Financial Stability Fund (GFSF).

The Debt Sustainability Analysis (DSA) demonstrated unequivocally that Ghana's public debt is unsustainable and that the Government may not be able to fully service its debt down the road if no action is taken. Indeed, debt servicing is now absorbing more than half of the government's total revenues and almost 70% of tax revenues, while the total public debt stock, including that of State-Owned Enterprises and all, exceeds 100% of our GDP. This is why the government announced the debt exchange, which will help in restoring its capacity to service debt. This is the path towards resetting the economy to a more stable one capable of addressing the development challenges of the country.

The government is expected to reach a Staff-Level Agreement soon on an IMF program aimed at restoring macroeconomic stability and protecting the most vulnerable. To this end, the government is determined to implement wide-ranging structural and fiscal reforms to restore fiscal and debt sustainability and support growth.

The Ghanaian government, on January 31, 2023, made significant progress with all stakeholders, including financial sector industry associations and representative groups of individual bondholders, with respect to their participation in the Domestic Debt Exchange Programme (DDEP). The government announced that:

- Based on the agreement reached with the Ghana Association of Banks (GAB), Ghana Insurers Association (GIA), and the Ghana Securities Industry Association (GSIA), the new terms of the exchange have been accepted. A revised and final Exchange Memorandum was released by Thursday, February 2, 2023.
- Based on the engagements with the representative groups of individual bondholders, the following has been offered and will form part of the new Exchange Memorandum:
 - An affirmation that all individual bondholders are free to not participate
 - However, upon a successful DDEP there will be very few of the 'old bonds' in circulation and likely limit its tradability
 - In this regard, the government is pleased to make available the following alternative offer to encourage all individual bondholders to participate in the exchange:
All individual bondholders who are below the age of 59 years will be offered instruments with a maximum maturity of five years, instead of 12 years, and a 10% coupon rate. All retirees (including those retiring in 2023) will be offered instruments with a maximum maturity of five years, instead of 12 years, and a 15% coupon rate.
- Additionally, the government is finalizing discussions with Organized Labor and Pension Fund Trustees, on a separate arrangement in accordance with the Memorandum of Understanding signed with Organized Labour on December 22, 2022, and in line with the government's debt management program.
- With this, the government encourages all stakeholders to participate in the DDEP, an essential step towards meeting its debt sustainability targets and restoring macroeconomic stability and economic growth.
- These developments have necessitated the final extension of the deadline from January 31, 2023, to Tuesday, February 7, 2023, and a new settlement date of Tuesday, February 14, 2023, which will be confirmed via the new Exchange Memorandum.
- The government appreciates cordial engagements with the various stakeholders since the beginning of the DDEP, which has made such remarkable progress possible.
- All bondholders are hereby encouraged to commence all administrative processes toward their participation in the exchange, in line with the agreements reached.

Addressing pensioner bondholders who have resisted their inclusion in a domestic debt exchange program on Monday, February 6, the Finance Minister pleaded with the pensioners to accept a 3.5% cut and the new terms of a 15% coupon rate and 5% maturity. "We really feel that the government has listened, there is humanity to us, we are protecting the destitute, widows and the orphans and the older people who have worked for this nation. We are in a crisis, we cannot put our heads under the sun and pretend that we are not." The closure of the invitation for holders of the government's bond to subscribe to the program has been postponed to Friday, February 10, 2023.

Ghana also plans to convert an estimated 40 billion cedis (\$3.3 billion) of loans owed to its central bank into bonds, making it the single biggest holder of domestic government securities and exposing it to an ongoing debt restructuring, according to people familiar with the matter. The bonds, due to be issued by the finance ministry, will also cover the interest owed to the Bank of Ghana, said the people, who asked not to be named because they're not authorized to speak publicly on the matter.

BudgIT's take is that there is only one reason that the central bank would want to convert this government's debt [past overdrafts] into bonds, it doesn't want the debt to sit on its balance sheet, and neither does the government have the immediate liquidity/cash to pay back. The best option is to convert the Ministry of Finance (MoF) loans to central bank bonds (IOUs) as part of the domestic restructuring exercise. The central bank was always going to share in this process's burden. It had to take a big part of the blame for the country's ongoing economic and financial challenges, given the lax overdrafts it was extending to the government, which is also partly to blame for Ghana's recent high inflation. Taking some losses (write-downs) on the loans it extended to the central government is a way of sharing the burden.

DOMESTIC DEBT EXCHANGE PROGRAMME

<https://citnewsroom.com/2023/02/we-need-imf-bailout-in-march-or-economy-will-crash-ofori-atta-to-pensioners/>
<https://www.bloomberg.com/news/articles/2023-02-03/ghana-to-securitize-3-3-billion-in-central-bank-loans>



2023 GHANA NATIONAL BUDGET ANALYSIS

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