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2021 Budget Highlights

**Economic Revitalisation through
Completion, Consolidation & Continuity**

March 2021





2021 Budget Highlights

Economic Revitalisation through Completion, Consolidation & Continuity

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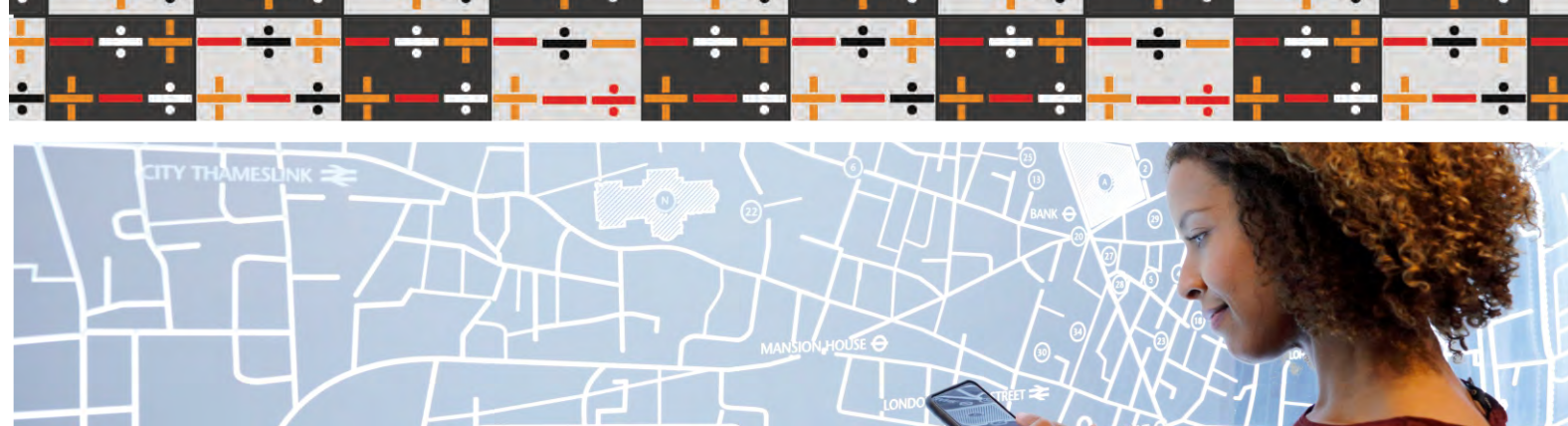


Commentary and at a glance

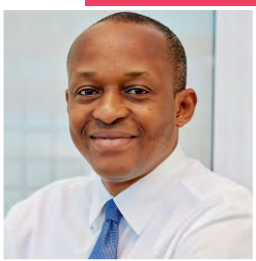
01



Commentary and at a glance



Resetting the Economy to speed-up recovery



Vish Ashiagbor

Country Senior Partner
PwC Ghana

On 12 March 2021, Mr. Osei Kyei-Mensah-Bonsu, Honourable Minister for Parliamentary Affairs and the Leader of Government Business delivered the Government's 2021 Budget Statement against the background of the impact of the Covid-19 pandemic on the economy.

Acknowledging the challenges that Ghanaians and businesses operating in the country faced in 2020 due to the pressures of the global pandemic, the Minister intimated that no one had expected that this economy, after a period of sustained high growth, would be hit by such an unprecedented crisis that killed businesses and jobs, disrupted supply chains and exerted undue pressure on economic and financial systems. Like other countries across the world, Ghana has had to deal with external headwinds, falling commodity prices and rising expenditures as part of the effects of the pandemic.

Admittedly, we have not yet emerged from the woods and the road to recovery is expected to be long and bumpy. The 2021 Budget, which is themed **“Economic Revitalisation through Completion, Consolidation & Continuity”**, provides hope as the Government seeks to carefully balance fiscal consolidation with the provision of some targeted fiscal stimuli to cushion the impact of COVID-19 on businesses and to facilitate a quick and strong recovery of our economy. This the Minister stated will be achieved through the Ghana CARES “Obaatan pa” Programme and other measures including:

- scaling up the vaccination of Ghanaians to enable us attain herd immunity by the end of 2021;
- continue with the implementation of Agenda 111 to provide hospitals and related infrastructure nationwide to improve the delivery of healthcare;
- intensifying efforts to improve public sanitation;
- supporting those who lost their jobs due to COVID-19 to find other gainful employment opportunities;
- deploying resources for our security agencies to maintain peace and security;
- completing many of our ongoing infrastructure projects within our resource envelope to reflect the theme of the budget;
- continuing the implementation of flagship programmes including Planting for Food and Jobs, Free Senior High School and One District, One Factory agenda.

We believe that these measures especially the Ghana CARES programme, if rolled out and implemented well, can unlock the growth potential of the private sector, quicken recovery and help to build a more resilient economy.

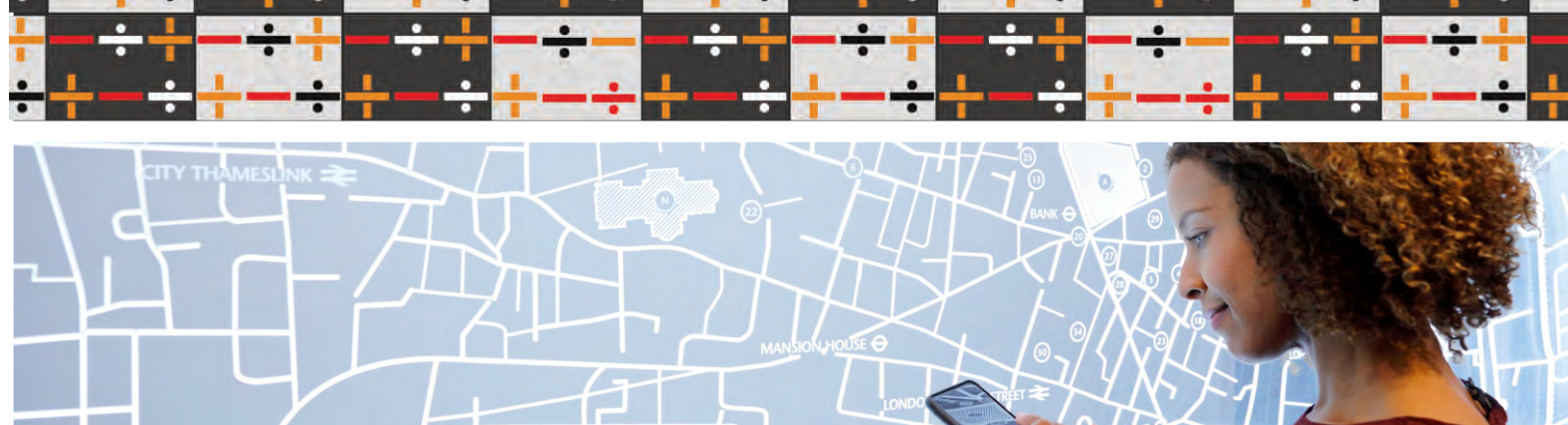
As the Minister noted, Ghana entered the pandemic with a strong economic growth momentum and was on course to achieving its medium-term macroeconomic targets. However the pandemic instigated economic slowdown across the globe and pushed the Government of Ghana to revise the overall real GDP growth target for 2020 downward from 6.8 percent to 0.9 percent. Growth however is expected to rebound in 2021 as the 2021 Budget

projects a robust real GDP growth of 5 percent in 2021. Underpinning this growth are the expected 4.0 percent growth in the Agriculture Sector, 4.8 percent in the Industry Sector, and 5.6 percent in the Services Sector.

While these growth projections are attainable, we believe that a key driver of this recovery will be the return of significant growth in private consumption and investments as well as exports growth (increased value of commodity exports). The return to growth of exports in the Services sector, especially a gradual recovery in tourism, remains crucial to the growth projection. However, downside risks to growth exists, especially a weaker than expected pace of recovery in major economies and our key trading partners. Slow distribution of vaccines and new waves of infections could slow growth in our trading partners, which would in turn dampen Ghana's projected growth pickup through lower export demand and reduced investment.

Also critical to this growth projection is more accommodative fiscal and monetary policies to support private sector recovery. The private sector will welcome efforts to achieve low inflation, a stable exchange rate as well as lower interest rates that provide access to affordable credit. Despite the challenges, the government's management of the macroeconomy is commendable. Inflation which peaked at 11.4 percent in July 2020 ended the year at 10.4 percent and is expected to decline to within the target band of 8±2 percent in 2021.

Commentary and at a glance



Resetting the Economy to speed-up recovery

Interest rates have also been on a decline while the currency has also remained relatively stable against all the major currencies.

The social and economic disruptions occasioned by the pandemic meant that government had to revise its medium-term fiscal outlook and suspend the Fiscal Responsibility Act 2018 (Act 982). Consequently, the 2020 fiscal deficit which was originally projected at 4.7% of GDP was revised upward to 11.4% of GDP, as a result of lower government revenues and higher spending needs related to the pandemic. Although the fiscal target was marginally exceeded, ending the year at 11.7%, the 2021 Budget indicates government's resolve to return to the path of fiscal consolidation. The Budget projects a fiscal deficit of 9.5% in 2021 and this is expected to decline to 5% by 2024.

The Minister emphasised that in spite of our drive to ensure that we do not prematurely withdraw fiscal stimulus support as part of measures to contain the pandemic and revitalise the economy, our resolve to ensure debt sustainability in the medium-term will support a medium-term fiscal path that will ensure that we return to the Fiscal Responsibility ceiling of a deficit of 5% of GDP and a positive primary balance by 2024.

The country's rising debt stock which currently stands at GH¢291,614 million, representing 76.1% of GDP with its attendant high interest payments of about 8.8% of GDP remains a cause for concern. However, we note that embedded in the debt stock is non-recurrent burdens that the government had to deal with as a result of the cost of financial sector clean-up which amounts to GH¢21 billion, Cost of Excess Capacity Charges paid to IPPs amounting GH¢12 billion and the Covid-19 related borrowing which is GH¢19.7

billion. While these interventions were urgently needed to sustain confidence in the economy, the debt trajectory is troubling and needs to be addressed urgently.

The key question is how the government will fiscally consolidate and reduce the large amount of debt incurred in part during the pandemic, while maintaining an economic platform for growth. We believe that this will require a careful balancing act, involving a combination of revenue and expenditure control measures that do not undermine growth. Against this background, the Minister announced a number of tax revenue-enhancing measures to provide fiscal space and ensure debt sustainability. These measures include:

- **The 1% VAT Health Levy (COVID-19 Health Levy):** A COVID-19 Health Levy of a one percentage point increase in the NHIL and a one percentage point increase in the VAT Flat Rate;
- **Sanitation and Pollution Levy (SPL):** GHp10 on the price per litre of petrol/diesel under the Energy Sector Levies Act (ESLA);
- **Energy Sector Recovery Levy (Delta Fund):** Ghp20 on the price per litre of petrol/diesel under the Energy Sector Levies Act (ESLA);
- **Financial sector clean-up levy:** A 5% levy on profit-before-tax of banks;
- **Road tolls:** Review existing road tolls and align them with current market rates;
- **Fees and Charges (Miscellaneous Provisions) Act, 2018 (Act 983):** An automatic annual adjustment that will be pegged to the previous year's average annual inflation as published by the Ghana Statistical Service.

Despite the sterling economic performance over the years, Ghana's tax to GDP ratio remains one of the lowest in sub-Saharan Africa. To this end, we welcome every effort to raise tax revenue by Government. However, as we have indicated before, we urge that a lot more emphasis should be placed on widening the tax base, improving efficiency in tax collection and encouraging compliance.





Commentary and at a glance



Resetting the Economy to speed-up recovery

In building the sturdiness of the economy, it is encouraging that the Minister has chosen to bolster capacity and incentivise some sectors of the economy to accelerate recovery. There are clear signposts on how the Government would like to incentivise growth in key areas of the economy that are the hardest hit by the pandemic. We endorse this sector specific incentive package because there is uneven economic recovery across different sectors. Some businesses have been forced to cease operations, while certain segments have enjoyed accelerated revenue growth during this pandemic. The provision of a rebate of 30% on the income tax due for companies in the hospitality industry is a step in the

right direction. Likewise, tax rebates to small businesses and 'Trotos' and taxis are welcoming. We are also in support of the proposed waiver of penalty and interest on accumulated tax arrears up to December 2020 to reduce cash flow challenges for companies and individuals who arrange terms with GRA to pay up the principal by September 2021. This will not only provide the needed relief for business but will also encourage compliance and boost government revenues.

Although there are implementation risks around aspects of the Budget, especially the new tax measures, we view the government's overall fiscal projections as credible and

attainable. The Budget's lower deficit forecasts are partly driven by positive steps toward fiscal consolidation and the strong desire to 'reset' the economy.

In concluding, while noting the COVID-19 path remains uncertain and unknown and may remain a threat to the projected growth in the economy, in aggregate, the 2021 Budget has the potential to lift growth prospects and speed up economic recovery. It will therefore require the support of all and sundry for it to succeed.





2021 Budget At A Glance



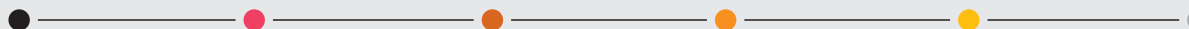
Macroeconomic indicators

Government intends to achieve growth in real GDP from a projected outturn of 0.9% for 2020 to an average of 5.0% over the medium term (2021 to 2024). Inflation is also set to decline from 10.4% as at December 2020 to a target band of 8±2% over the medium term, while overall fiscal deficit is expected to fall within the 5% threshold imposed by the Fiscal Responsibility Act (2018) by 2024.



Description	2019 Actual	2020 Target	2020 Projected Outturn	2021 Target	Medium Term Target (2021 - 2024)
Growth in Real GDP (incl. oil)	6.5%	0.9%	0.9%	5.0%	5.0%
Growth in Real GDP (non - oil)	5.8%	1.6%	1.6%	6.7%	4.9%
End of Period Inflation (%)	7.9%	11.0%	10.4%	8.0%	8%
Overall Fiscal Budget Deficit (% of GDP)*	4.8%	11.4%	11.7%	9.5%	Not more than 5%
Gross International Reserves	Not less than 4.0 months of import cover	Not less than 4.0 months of import cover	Not less than 4.1 months of import cover	Not less than 4.0 months of import cover	Not less than 4.0 months of import cover

Note: Overall fiscal budget deficit excludes financial sector clean up cost

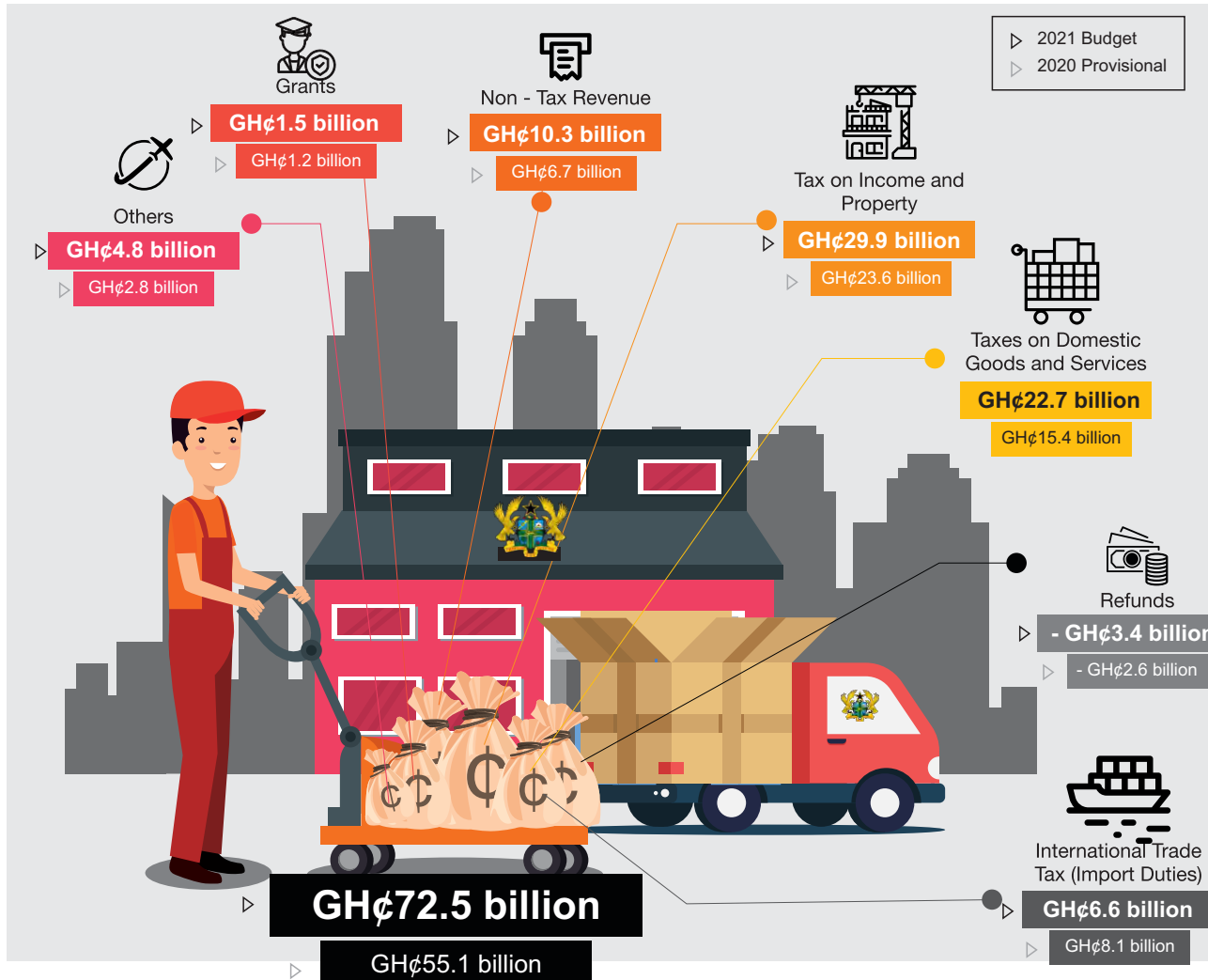




2021 Budget At A Glance



Where is the money coming from?



Taxation

Direct tax measures

- Introducing a 5% financial sector ("finsec") clean-up levy
- Introducing 30% income tax rebates for companies operating hotels and restaurants, education, arts and entertainment, and travel and tours from April to December 2021
- Suspending instalment income tax stamp and vehicle income tax payments from April to December 2021
- Extending the exemption of income tax on capital gains made from the realisation (e.g. sale) of securities listed on the Ghana Stock Exchange beyond 2021

Indirect tax measures

- Introducing 1% COVID-19 Health Levy
- Introducing 10 pesewas Sanitation and Pollution Levy and 20 pesewas Energy Sector Recovery Levy (Delta Fund)
- Taxation of the Digital Economy

General administrative measures

- Extending a waiver of penalties and interest on principal tax debts owed by December 2020
- Intensifying audits and introducing debt recovery measures
- Setting up the Independent Tax Appeals Board
- Developing a comprehensive gaming policy for revenue mobilisation
- Deepening Government's digitisation agenda
- Enacting the Exemptions Bill



2021 Budget At A Glance



Where is the money going to?

Key expenditure areas

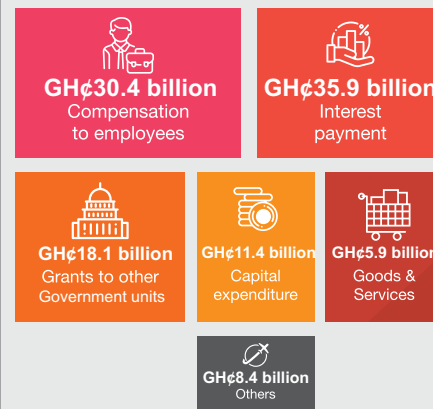
Total expenditure

(excluding arrears and amortisation)

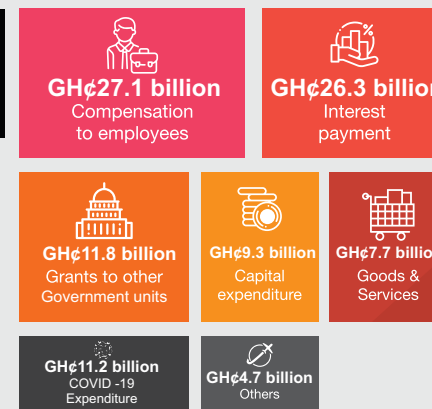


GH¢110.1 billion

2021



2020

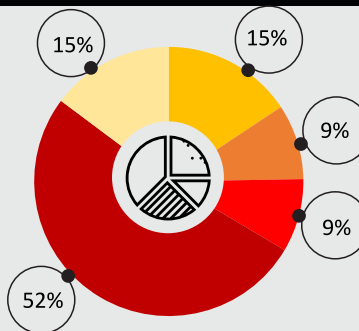


Sectoral Allocations



GH¢48.1 billion

Total sectoral budget increased by 8% from GH¢44.7 billion in 2020



■ Administration ■ Economic ■ Infrastructure ■ Social ■ Public Safety

Key Activities to be carried out by Government are:

Implement Agenda 111 to provide hospitals and related infrastructure nationwide

Deploy resources to our security agencies to maintain peace and security

Implement the Ghana CARES programme to revitalize the economy and create employment

Continue the implementation of Government's flagship programmes including the Planting for Food and Jobs, the Free Senior High School and the One District, One Factory agenda.

Support the citizenry who have lost their jobs due to COVID-19 to gain employment

Scale-up the vaccination of Ghanaians to enable the country



Economy

02



Overview



The 2021 Budget Statement and Economic Planning Policy of the Government of Ghana themed “Economic Revitalisation through Completion, Consolidation & Continuity” is focused on restoring the economy onto the growth path following the devastating impact of COVID-19 in 2020. The Budget relies on the social interventions, policies and initiatives stated in the budget statements for the years 2017 to 2020.

Ambitious revenue generation through the introduction of new taxes and levies. Government has set a 31% revenue growth target for 2021 relative to the 2020 outturn. To achieve this target, Government is seeking to impose a number of taxes and levies. These include a 1% increase in the National Health Insurance Levy and financial sector clean up levy of 5% on the profit before tax of banks. Additionally, Government intends to impose Sanitation and Pollution, and Energy Sector Recovery Levies of 10 pesewas and 20 pesewas respectively, both on the price per litre of petrol and diesel under the Energy Sector Levies Act.

COVID Alleviation and Revitalisation of Enterprises Support Programme. In November 2020, Government launched the COVID Alleviation and Revitalisation of Enterprises Support (“Ghana CARES”) programme to mitigate the impact of the pandemic and provide the framework for economic recovery. The 2021 budget seeks to achieve the objectives of the Ghana CARES programme. Among others, the budget indicates Government's intention to reform the business environment to support economic diversification. Government intends to also establish the Development Bank of Ghana to finance the growth and development agenda under the Ghana CARES programme.

Budget deficit target of 9.5%. To set the economy back on the track of growth, Government expenditure in real sectors of the economy is paramount. Government has projected an expenditure of GH¢110,051 million and payment of arrears of GHC3,699 million totaling GH¢113,750 million resulting in the projected budget deficit of 9.5%.

Consolidation and implementation of existing programmes and projects to ensure value for money. Unlike previous budgets, the 2021 Budget Statement has minimal novel initiatives. Rather, the budget is focused on completing existing programmes and projects. This is commendable as it ensures continuity in implementation and optimises outcomes.

Accelerating infrastructure development. As part of the growth recovery agenda, in 2021 Government intends to speed up infrastructure expansion, particularly roads, rails and hospitals. To this end, Government has budgeted GH¢11,423 million for infrastructure.

The World Economy

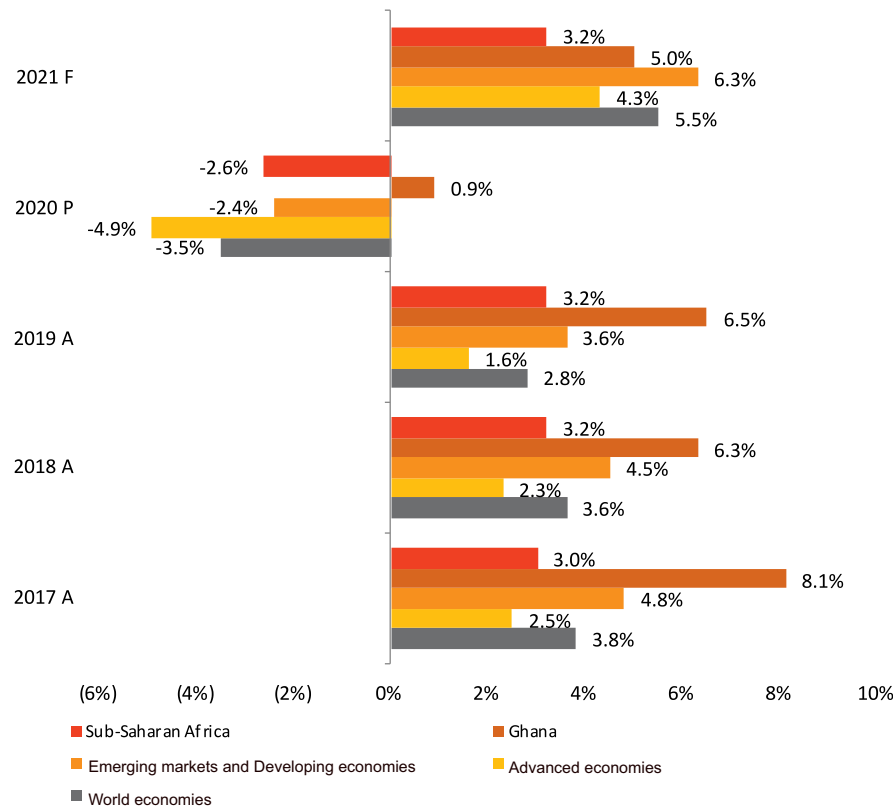


Global GDP

The global economy is expected to register growth of 5.5% in 2021 after the estimated 3.5% contraction in 2020, mainly driven by the COVID-19 pandemic. The expected growth rate in 2021 will be driven mainly by the advanced economies that are keenly rolling out COVID-19 vaccinations across their populations as well as implementing a number of stimulus packages.



Global GDP Growth (2017A-2021F)



Source: World Economic Outlook January 2021 & 2021 Budget Statement

Budget PwC Commentary

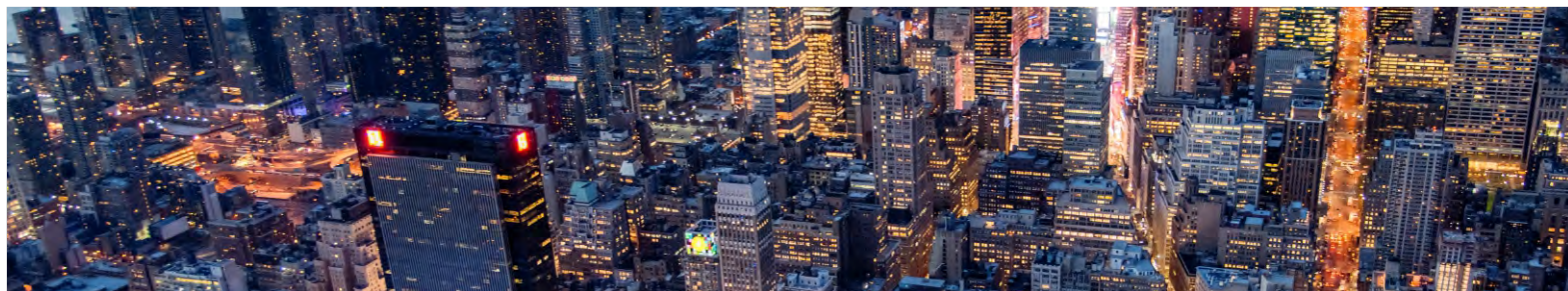
The International Monetary Fund's (IMF's) January 2021 World Economic Outlook (WEO) update indicates that the global economy is projected to grow at 5.5% in 2021, significantly up from the estimated contraction of 3.5% in 2020. The 2021 growth projection in the global economy reflects an expected positive turnaround on account of COVID-19 vaccine-powered economic activity and strong policy support from advanced economies. Growth in advanced countries is projected to be 4.3% in 2021, a vast improvement from the 4.9% contraction experienced in 2020. The expected turnaround is mainly due to administration of COVID-19 vaccines, broad-based fiscal stimulus packages to households and businesses and complementary supportive monetary policies by central banks, including expanded asset purchase programmes and funding-for-lending facilities.



The Ghanaian economy, even in a pandemic era, significantly outperformed the global economy and other major regional sub-groupings, many of which recorded contractions in 2020. However, for the first time in over four years, Ghana's GDP growth rate is projected to be marginally lower than the global economy growth rate of 5.5% in 2021. The estimated 2021 growth recovery in the global economy reflects a vaccine-powered recovery and sizable fiscal policy support announced in advanced economies (most recently in the United States of America and Japan) targeted at ameliorating the impact of the COVID-19 pandemic.



The World Economy



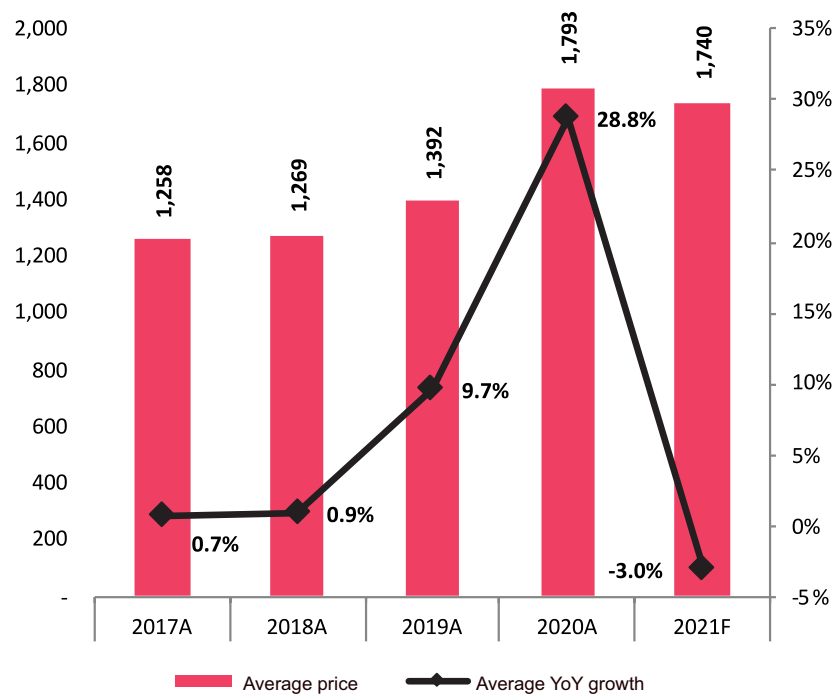
Global Commodity Prices

Gold

Globally, gold became a safe haven in 2020 as more investors were attracted to the precious metal in response to economic uncertainties surrounding the impact of COVID-19.



Gold prices (in US\$/toz)



Source: World Bank Commodity Markets Outlook January 2021 & 2021 Budget Statement

Gold benefited immensely from the pandemic in 2020. This was sustained by continued monetary easing by major central banks. However, in 2021 gold prices are expected to reduce to US\$1,740 per troy oz. from US\$1,793 per troy oz. recorded in 2020.



Gold remains one of Ghana's major sources of foreign exchange therefore the anticipated decline in price in the near term poses a risk of downward pressure on the local currency as well as Government's revenue. This adds further urgency to Government's efforts on domestic revenue-enhancing measures, including its digitalisation agenda and measures to broaden the tax base.



The World Economy

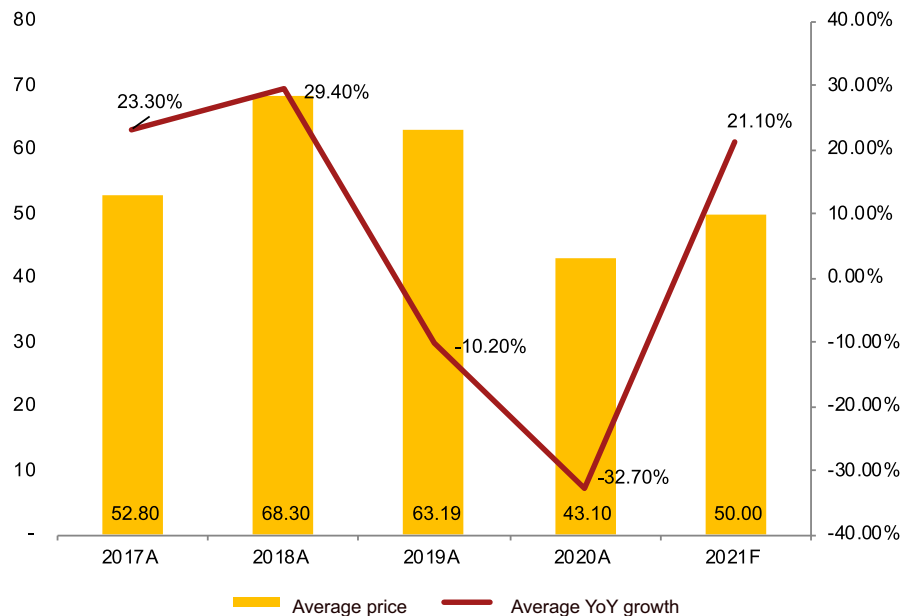
Global Commodity Prices

Crude Oil

Ghana's crude oil production is estimated to reduce from 66.93 million barrels in 2020 to 57.30 million barrels in 2021. The IMF's World Economic Outlook report as at January 2021 predicts that projected global economic recovery is likely to cause an increase in oil prices by about 21% in 2021.



Crude oil prices (in US\$/bbl)



Source: World Economic Outlook January 2021 & 2021 Budget Statement

Data from the January 2021 IMF World Economic Outlook (WEO) show that crude oil prices are projected at US\$50.03 per barrel for 2021 and US\$48.82 per barrel in 2022. Oil consumption is expected to remain below its pre-pandemic level until 2023. The COVID-19 pandemic could have lasting effects on oil demand through changes in consumer and employment behaviour. It is predicted that air travel could experience a sustained decrease, as business travel is reduced in favour of virtual meetings thereby reducing demand for jet fuel. A shift to working from home could also reduce gasoline demand.



The expected oil price volatility should keep Government focused on its diversification agenda and see to its completion. Improving other growth drivers such as agriculture, agribusiness and agri-processing, will not only provide more sustainable sources of revenue, but will minimise the risk of volatility in Government revenue generation.



The World Economy



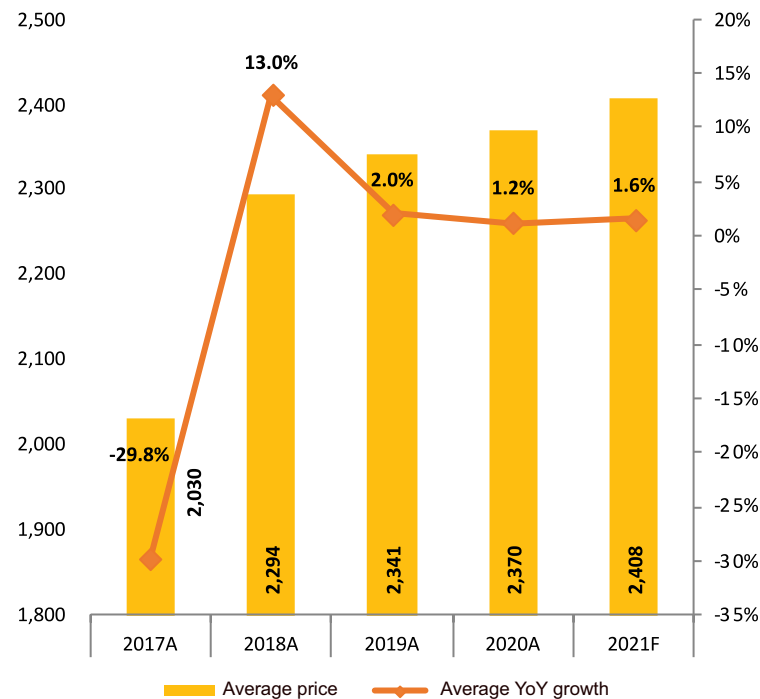
Global Commodity Prices

Cocoa

Cocoa prices have been fairly stable, reflecting marginal increases in global production and consumption over the past three seasons.



Cocoa prices (in US\$/ tonne)



Source: World Economic Outlook January 2021 & 2021 Budget Statement

Data from the International Cocoa Organisation (ICCO) show that world market cocoa price averaged US\$2,369.85 per tonne in 2020 compared to US\$2,340.74 in 2019, representing a marginal increase of 1.2%. Cocoa price is estimated to increase by 1.6% to US\$2,407.77 in 2021. Global cocoa production for the current 2020/21 crop season is projected to be 5% higher than the 2019/20 output, led by production increases in the world's largest cocoa suppliers, Côte d'Ivoire and Ghana.



The recent and current trends in the price and production of cocoa increase the need for Ghana to focus on adding value to its major trading commodities before exporting. In response to these opportunities, Government through COCOBOD has initiated policies to incentivise private sector participation in setting up cocoa processing factories in Ghana to add value to raw cocoa beans. This will align with the initiative to develop light manufacturing, including agro-processing under the Ghana CARES programme. The success of this initiative is likely to bring in extra revenue to augment the current revenue position.

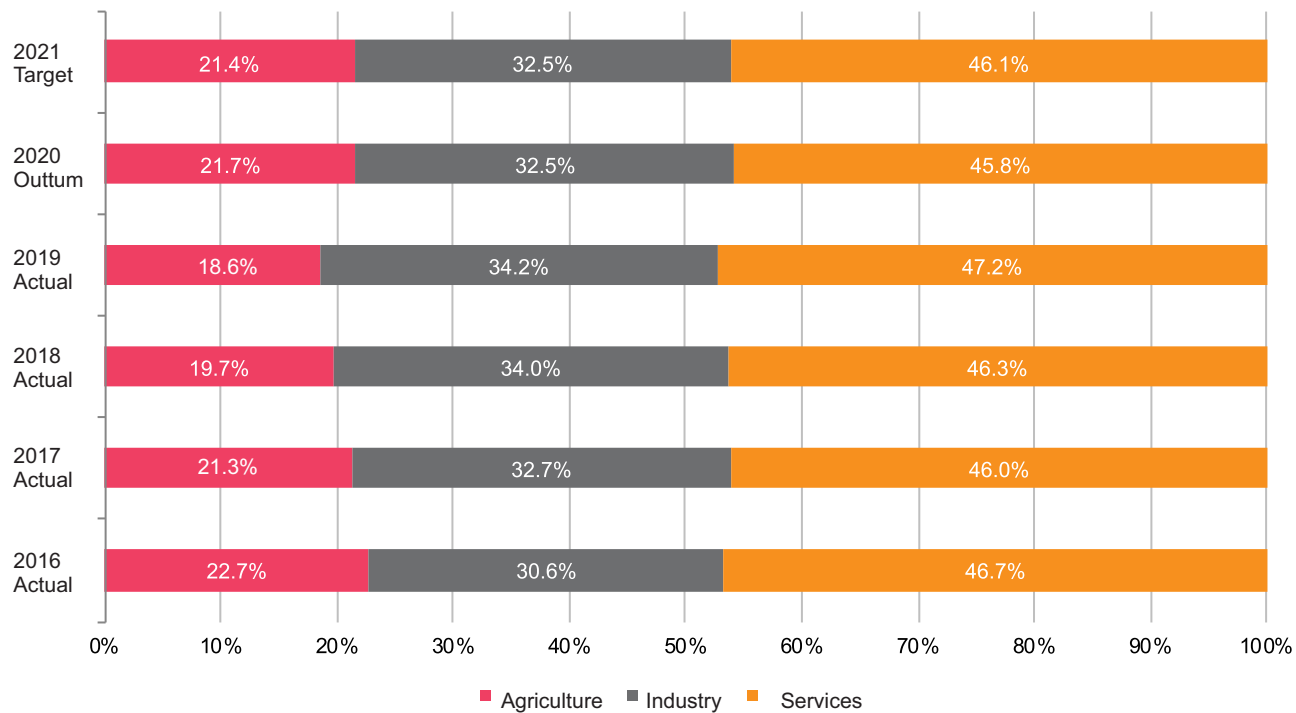


Sectoral Analysis

Based on the 2021 Budget Statement, the structure of the Ghanaian economy is expected to remain largely unchanged as the Services sector continues to be the largest contributor to GDP. The chart depicts the sectoral contribution to GDP by the three key sectors of the economy from 2016 to 2020 as well as the 2021 target.



Sectoral structure of Ghana's economy (incl. 2021 target structure)

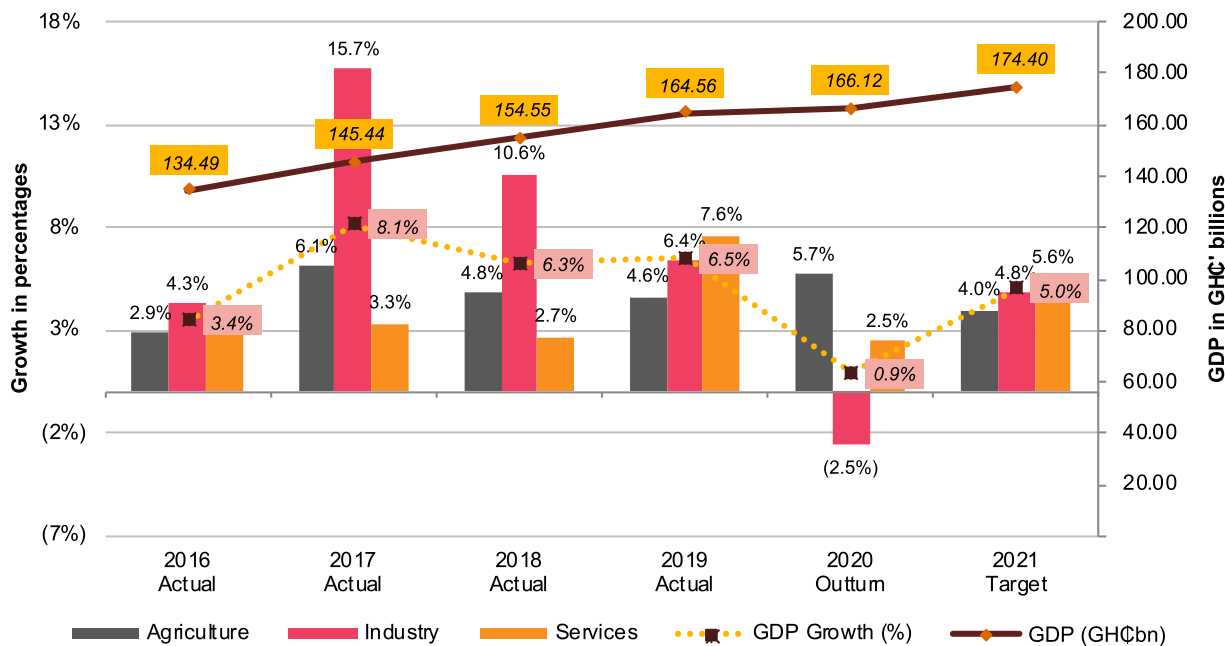


Source: 2021 Budget Statement and Economic Policy of Government



Sectoral Analysis

Growth per sector (2016 Actual to 2021 Target)



Source: 2021 Budget Statement and Economic Policy of Government

The country's real GDP growth dropped from 6.5% in 2019 to 0.9% in 2020. The decline in real GDP growth is explained by the reduction in economic activities following the outbreak of the COVID-19 pandemic. The ongoing COVID-19 vaccination coupled with interventions under the Ghana CARES Programme and Government's transformation agenda, is expected to drive the 5% GDP growth in 2021.



Given that the marginal growth in real GDP in 2020 is largely attributed to the impact of COVID-19, we expect the economy to rebound if the existing developmental initiatives and the ongoing vaccination programme are successfully implemented. To drive this, Government should focus on its flagship programmes and interventions including the One District One Factory ("1D1F"), Planting for Food and Jobs ("PFJ"), Rearing for Food and Jobs ("RFJ") and infrastructure expansion.



Sectoral Analysis

Agriculture Sector



The Agriculture sector grew by 4.6% in 2019 and the outturn for 2020 is a growth of 5.7%. The increased growth in 2020 was driven by improvements in the Crops, Fishing and Livestock sub-sectors, which remained largely unaffected by the COVID-19 related restrictions and lockdown. In 2021 and over the medium-term, it is expected that the Crops sub-sector, followed by the Fishing sub-sector will drive the target growth of 4% per annum on the back of continued Government initiatives in the sector.



The various agric-related flagship programmes seem to be the bedrock of the growth estimated for 2021. In our view, conscious efforts must be directed towards mechanising farming in the country. Government must encourage large scale farming and create an enabling environment for farmers. The potential of import substitution on the back of a thriving agricultural sector can reduce the stress on the currency resulting from massive imports.

Industry Sector



In 2021 and over the medium-term, it is Government's expectation that the Industry sector will grow at an average of 5.0% per annum. Increased economic activities and investments in the Mining & Quarrying sub-sector are expected to drive the projected growth in Industry in 2021.



Government has indicated its intention to continue to invest in infrastructure (second year of roads and construction of hospitals) and to boost growth in manufacturing. These are expected to become the main drivers of growth in the medium to long term. We encourage Government to demonstrate greater commitment to these intentions as they hold the key to creating an enabling environment to revamp the private sector to become the engine of growth.

Services Sector



In 2020, the Services sector recorded growth of 2.5% compared to the 7.6% achieved in 2019. The slowdown in the sector in 2020 was largely due to the impact of the COVID-19 pandemic (notably the partial lockdown and restrictions on air and land travel that were imposed in 2020 to contain the spread of COVID-19) which affected among others, hotels, restaurants, trade, repair of vehicles and households businesses. The Information and Communication sub-sector recorded the highest growth and together with the other sub-sectors, helped to prevent an overall contraction of the sector. The significant growth in the Information and Communication sub-sector was driven by the use of digital platforms to cope with the COVID related restrictions on mass public gatherings and "stay-at-home" orders. In 2021 and going forward, it is expected that the Services sector will grow by an average of 5.6% per annum still driven mainly by the Information and Communication sub-sector.



We expect the Information and Communication sub-sector of the economy to continue to record strong growth into the foreseeable future. This is because the "new normal" encourages remote working and virtual engagements which are heavily dependent on information and communication technology infrastructure.



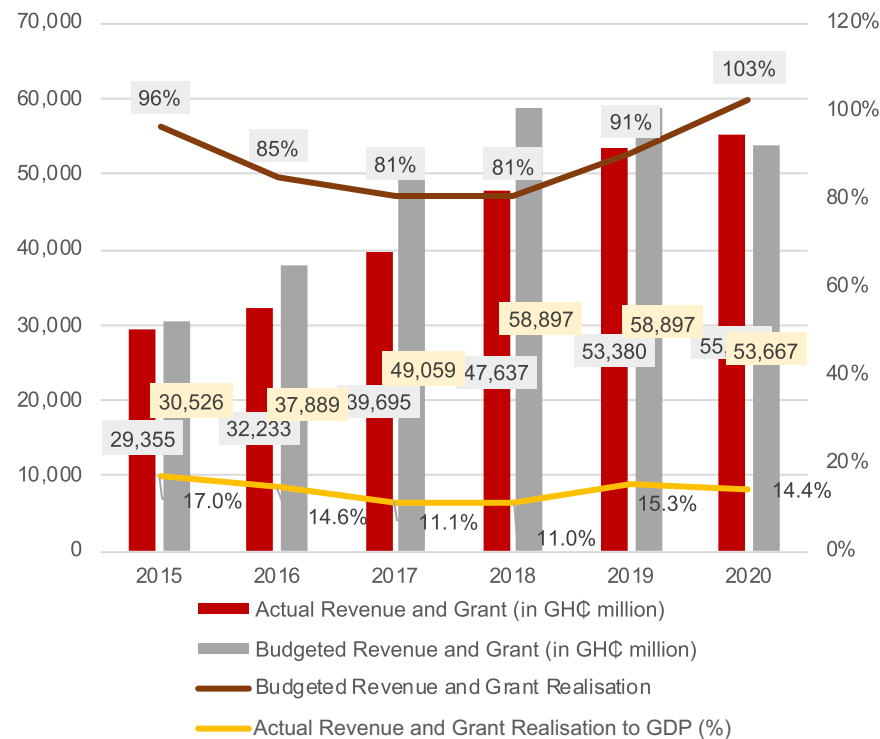
Fiscal Developments

Fiscal Developments

Total revenue and grants in 2020 exceeded the revised estimates of July 2020 by 2.7%. In 2021, Government has projected total revenue of GH¢72,452.31 million, representing an increase of 31% over the 2020 outturn. Government intends to drive the growth through the introduction of new taxes and levies as well as other initiatives, specified below:

- COVID-19 levy of one percentage point increase in the National Health Insurance Levy and one percentage point increase in the VAT Flat Rate
- Sanitation and Pollution Levy (SPL) of 10 pesewas on the price per litre of petrol and diesel
- The Energy Sector Recovery levy (ESLA) of 20 pesewas per litre on petrol/diesel under the ESLA
- Financial sector clean-up levy of 5% on profit-before-tax of banks to defray outstanding commitments
- Ghana Revenue Authority (GRA) to recover outstanding debts and enforce collections in the extractive industry
- Government to review existing road tolls and align them with current market rates.

Trend of revenue and grants (budgeted vs actual) 2016-2020



Source: 2021 Budget Statement



Attainment of the projected 31% increase in revenue is dependent on Government's ability to successfully implement the new taxes and levies. The new taxes and levies may contribute to a decline in purchasing power of consumers and increase the cost of doing business, which may ultimately affect mobilisation of tax revenues.



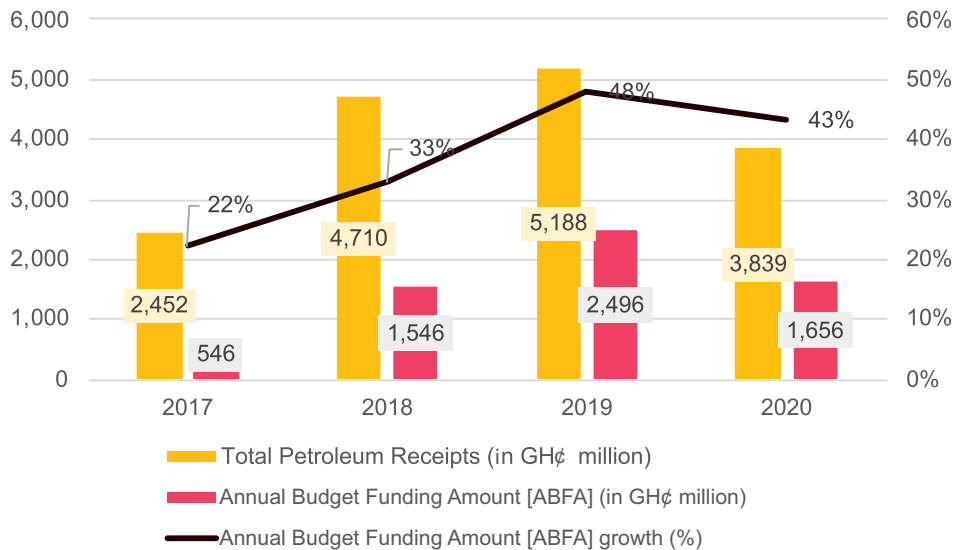
Fiscal Developments

Petroleum Receipts

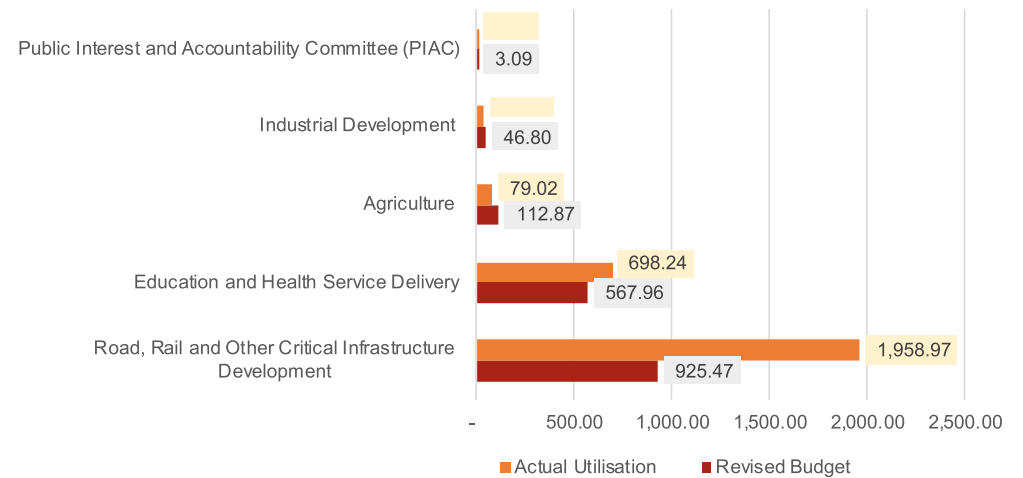
Total petroleum receipts (i.e. proceeds from liftings and other petroleum receipts) declined from US\$937.58 million (GH¢4,899.91 million) in 2019 to US\$666.39 million (GH¢3,838.54 million) in 2020. The decline was mainly due to a lower average crude oil price of US\$43.10 compared to US\$63.19 in 2019, mainly due to the impact of COVID-19 pandemic which adversely affected crude oil production and price.

GH¢1,656.19 million was allocated to the Annual Budget Funding Amount (“ABFA”) in 2020 in addition to an unutilised balance of GH¢1,479.90. As at December 2020, the actual ABFA utilisation amounted to GH¢2,771.12 million leaving an unspent balance of GH¢364.97 million at the end of 2020. The chart below shows a summary of the key areas where the ABFA was utilised. The chart compares the July 2020 revised ABFA to actual utilisation.

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



ABFA Utilisation (in GH¢ million) by Priority Area (Revised budget utilisation vs actual utilisation)



Crude oil prices have been projected to increase in 2021 compared to prices in 2020. This will help government achieve the projected receipts from upstream petroleum activities at GH¢5,427 million (1.3% of GDP), representing a 51.6% growth over the outturn for 2020. However, this must be viewed against the backdrop that Ghana's crude oil production is expected to reduce by 2.05 million barrels this year due to decline in production in the Jubilee and TEN fields.

Source: 2021 Budget Statement



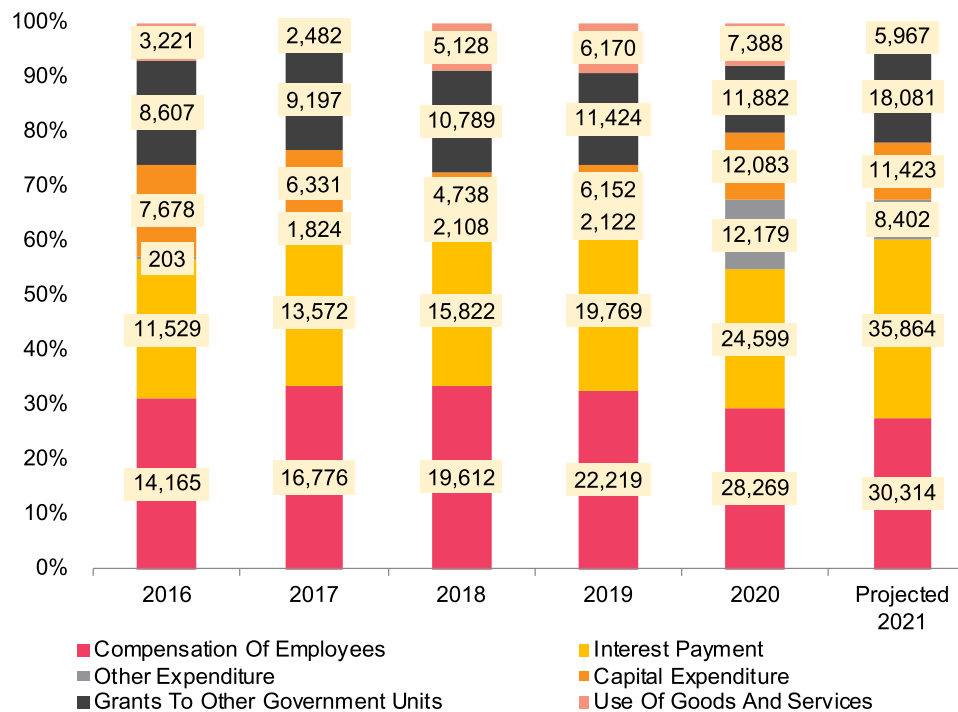
Fiscal Developments

Expenditure

Total expenditure for 2020 including clearance of arrears, amounted to GH¢100,052.78 million (26.1% of GDP) which was 2.4% above target for the period (Target: GH¢97,740.37 million, 25.4% of GDP). The increased expenditure was necessitated by unanticipated expenses incurred to contain the impact of COVID-19 on lives and businesses.

In 2021, Government has budgeted a 4.7% increase in total expenditure amounting to GH¢113,750 million driven largely by expected increases in wage bill, interest payments, COVID-19 related expenditures, security, and funding of Government flagship programmes.

Trend of Key Expenditure Areas 2016 - 2021 (in GH¢ million)



Source: 2021 Budget Statement

The amounts in the chart above exclude arrears from previous years.

Interest payment and employee compensation will continue to drive government expenditure in 2021, accounting for 60% of total expenditure compared to 55% in 2020 and 62% in 2019. In view of the significant increase in the country's debt stock and expected additional debt financing in 2021, interest payment in 2021 is expected to increase by 46% relative to the interest payment in 2020. This is likely to constrain government's ability to spend on discretionary projects.



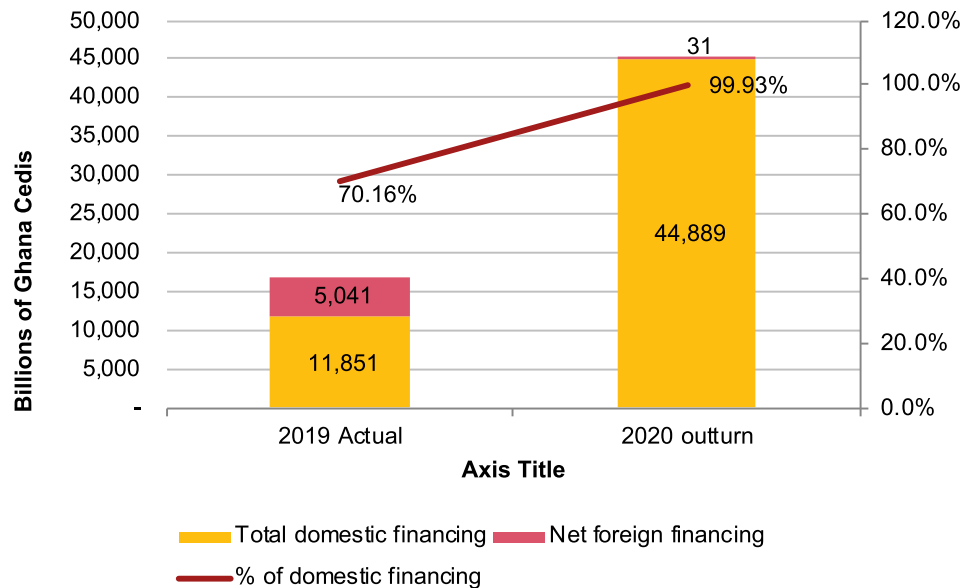
Based on the projected expenditure for 2021, Government will record a fiscal deficit of 9.5% which is significantly above the required cap of 5% stipulated by the Fiscal Responsibility Act, 2018 (Act 982). We note that the limit imposed by the Act has been suspended till 2024. In the event of any unforeseen expenditures, Government will be faced with the dilemma of going beyond the already high budget deficit or sacrificing discretionary spend such as capital infrastructure.



Budget Deficit

The overall budget deficit on a cash basis as at December 2020 was 11.7% of GDP (GH¢44,921 million) against a revised target of 11.4% of GDP. In 2021 Government intends to achieve a budget deficit of 9.5% and not more than 5% in the medium term (2021 to 2024) in line with the Fiscal Responsibility Act, 2018 (Act 982).

Trend and composition of fiscal deficit financing (Domestic vs Foreign)



Source: 2021 Budget Statement

The COVID-19 pandemic caused a shortfall in Government revenues amounting to GH¢13.6 billion; and a rise in expenditures to GH¢11,700 million. Given the tightness of the external financial conditions, Government had to resort more to domestic financing; drawdown in Government deposits at the Central Bank, domestic market operations and other sources of domestic financing. Total Domestic Financing amounted to GH¢44,889 million, equivalent to 11.7% of GDP, and constituted 99.9% of the total financing. Foreign financing amounted to GH¢31.2 million. As witnessed in 2020, Government's plans to finance the projected budget deficit in 2021 with mostly domestic borrowings.



The COVID-19 pandemic had a drastic impact on government finances in 2020; slower domestic business activity, fall in oil prices and decline in trade volumes, among others. Due to fiscal costs from the pandemic response and measures to support economic growth, Government has set itself a fiscal deficit target of 9.5% for 2021, reducing to 5% by 2024. Government's attempt to revitalise and stimulate the economy largely hinges on its GH¢100 billion Ghana CARES "Obaatampa" programme which is a welcome initiative. We encourage Government to ensure effective implementation and proactive monitoring of the Ghana CARES programme to achieve the intended benefits.

Public Debt



Provisional public debt as at the end of December 2020 was GH¢291,614.5 million (US\$50,829.6 million) representing 76.1% of GDP. This ratio includes the cost of the financial and energy sector bailouts. The composition of the total debt stock was made up of a provisional amount of GH¢141,780.60 million (US\$24,712.94 million) representing external debt and GH¢149,833.89 million (US\$26,116.66 million) representing domestic debt. As a percentage of GDP, external debt represented 37.0% and domestic debt 39.1%. Excluding the financial sector bailout, the nominal debt stock as a percentage of GDP reduces to 71.5%.



Fiscal costs associated with pandemic related responses and measures to stimulate the economy can have an impact on Ghana's debt sustainability going forward. Government's reliance on local borrowing must be tempered going forward in order not to restrict bank lending to businesses. Government's decision to introduce debt limits for concessional and non-concessional external funding is a step in the right direction for fiscal discipline and to control borrowing. Other strategies to enhance effective tax mobilisation such as the continued efforts to digitise the economy will augment this initiative.

As a result of the COVID-19 pandemic, the World Bank and the International Monetary Fund encouraged G20 countries to establish the debt service suspension initiative to allow a one year grace period and three year repayment window. Ghana is yet to take a decision to accept this offer, perhaps due to concerns that this may negatively impact its credit ratings in the future.



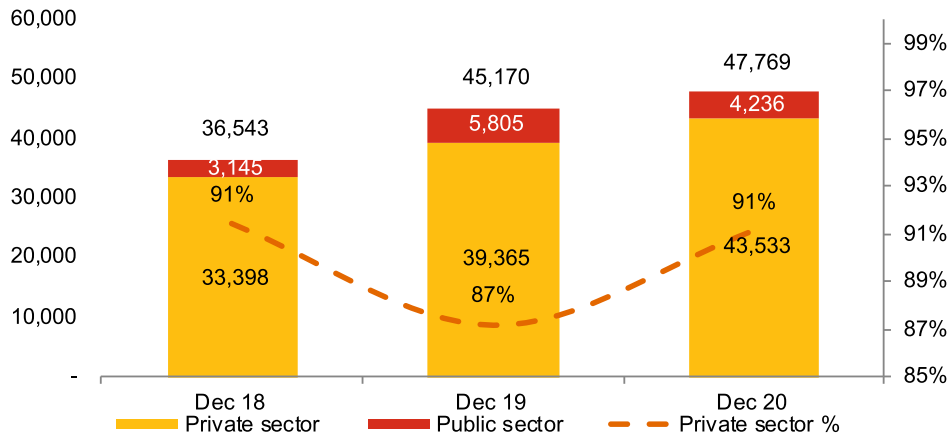
Monetary Sector



Credit to the private sector

Private sector credit grew by 5.75% between December 2019 and December 2020, compared to growth of 23.61% in the preceding 12 months. The decline in growth was driven by a slowdown in business activities due to COVID-19. Public sector credit contracted by 27.03% between December 2019 and December 2020, compared to growth of 84.58% in the preceding 12 months, after significant repayments during 2020.

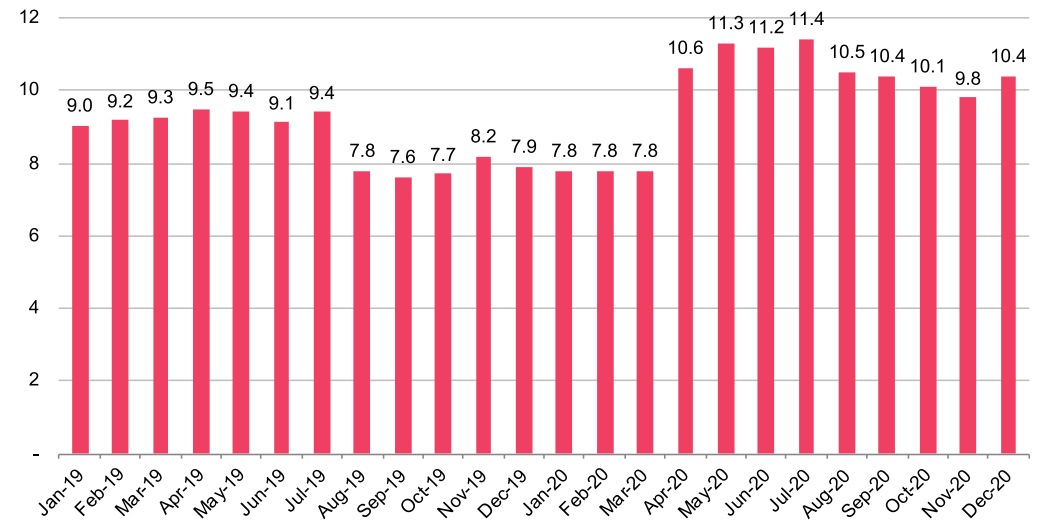
Private sector portion of outstanding credit (in millions of GH¢)



Source: Bank of Ghana Monetary Policy Report, Banking Sector Development

Inflation

Monthly headline inflation (%): Jan 2019 - Dec 2020



Source: Time Series, Economic Data (Bank of Ghana Website), Bank of Ghana Monetary Policy Report (Monetary and Financial Developments)

Headline inflation which surged from 7.80% in January 2020 to a high of 11.40% in July 2020 was largely due to panic buying resulting from restrictions enforced during the initial phases of the COVID-19 pandemic. As the restrictions eased, inflation declined to 10.40% in December 2020.

A strong recovery in the agricultural sector in 2021 could subdue inflation. This would allow BoG more latitude to reduce the monetary policy rate, as a means of making credit more affordable to private sector enterprises.

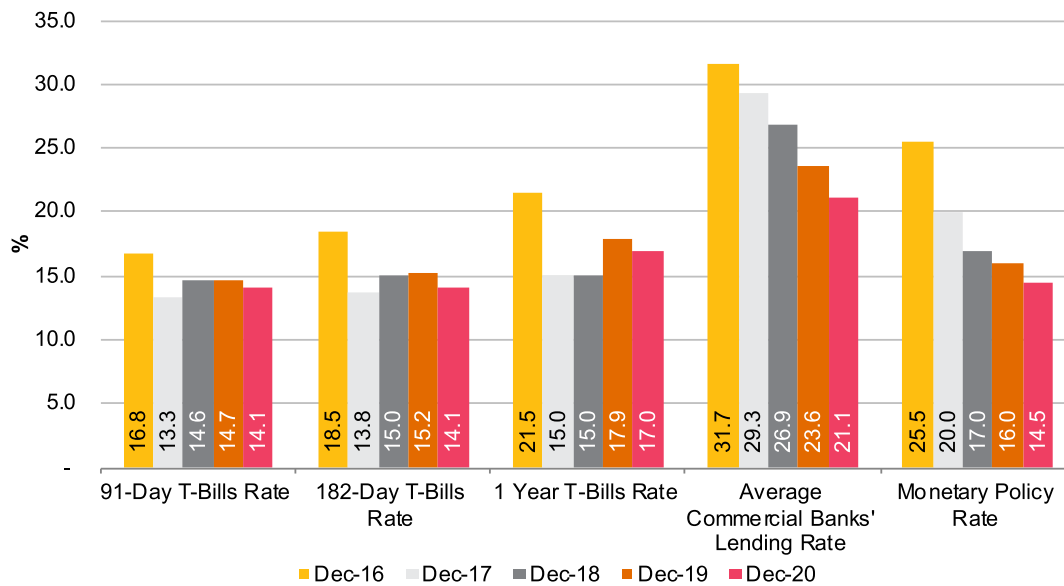


Monetary Sector



Interest rates

Year-on-year interest rates trends (%): Dec 2016 - Dec 2020



Source: BoG Monetary Time Series Data; Monetary and Financial Developments Report

The monetary policy rate (“MPR”) reduced from 16.0% in December 2019 to 14.5% in December 2020, as Government sought to mitigate the economic risks of COVID-19. In response to this, the average commercial lending rates declined from 23.60% in December 2019 to 21.10% in December 2020.



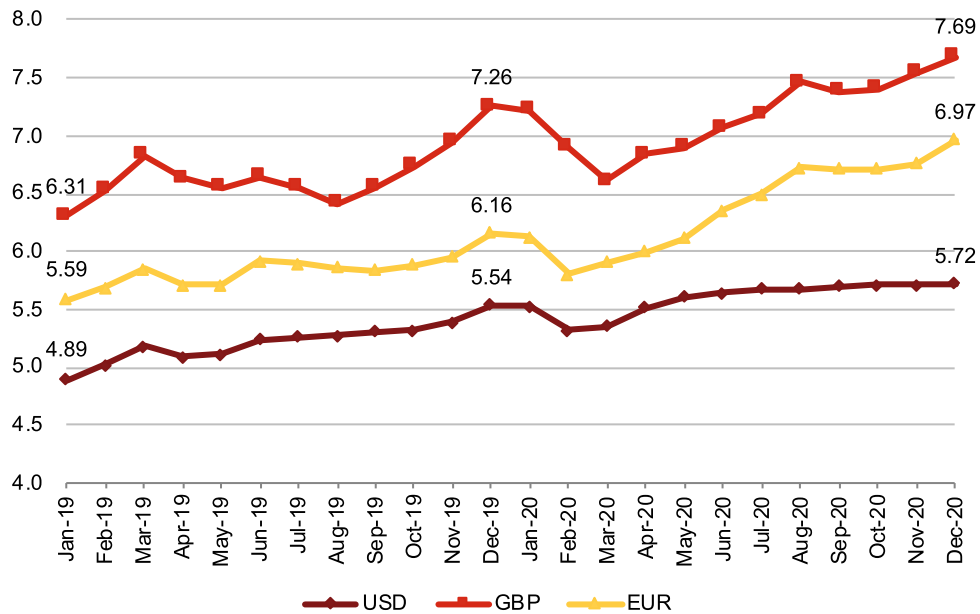
An increase in the MPR may suppress growth, as it would reduce the private sector's access to credit. Yields on government instruments across the globe are generally low in response to the need to lower cost of credit and also boost the private sector. GoG should take advantage of these global financial conditions and lower interest rates further to stimulate economic growth.



Monetary Sector

Exchange rates

**Interbank average mid-point exchange rates (GH¢):
Jan 2019 - Dec 2020**



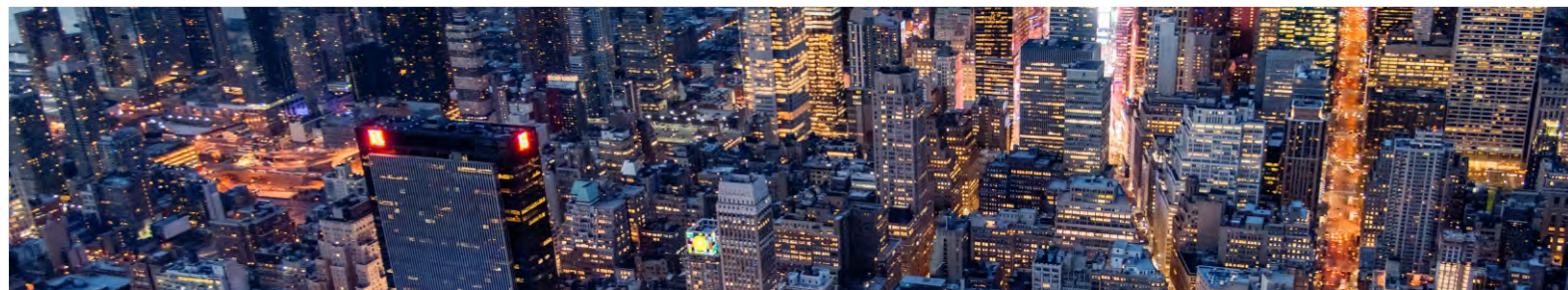
Source: BoG Monetary Time Series Data; BoG Monthly Inter-Bank Exchange Rates

The Ghana Cedi depreciated by 3.24% against the US Dollar between January to December 2020, as compared with a depreciation of 13.29% over the preceding 12 months.



The decline in depreciation of the GH¢ against major global currencies was largely driven by a reduction in travelling and foreign trade due to COVID-19 related restrictions. MoF's US\$3,000 million Eurobond issued in February 2020 also served as a buffer against sharp declines in the GH¢. As economies reopen, sufficient buffers, along with favourably priced exports of our major trading commodities should prevent any significant declines in the GH¢ in the short-medium term.

Macroeconomic performance and targets



Macroeconomic indicators

Government intends to achieve growth in real GDP from a projected outturn of 0.9% for 2020 to an average of 5.0% over the medium term (2021 to 2024). Inflation is also set to decline from 10.4% as at December 2020 to a target band of 8±2% over the medium term, while overall fiscal deficit is expected to fall within the 5% threshold imposed by the Fiscal Responsibility Act (2018) by 2024.

Description	2019 Actual	2020 Target	2020 Projected Outturn	2021 Target	Medium Term Target (2021-2024)
Growth in Real GDP (incl. oil)	6.5%	0.9%	0.9%	5.0%	5.0%
Growth in Real GDP (non-oil)	5.8%	1.6%	1.6%	6.7%	4.9%
End of Period Inflation (%)	7.9%	11.0%	10.4%	8.0	8±2%
Overall Fiscal Budget Deficit (% of GDP)*	4.8%	11.4%	11.7%	9.5%	Not more than 5%
Gross International Reserves	Not less than 4.0 months of import cover	Not less than 4.0 months of import cover	Not less than 4.1 months of import cover	Not less than 4.0 months of import cover	Not less than 4.0 months of import cover

Note: Overall fiscal budget deficit excludes financial sector clean up cost
Source: 2021 Budget Statement



Government's conservative short-medium term macroeconomic outlook is a reflection of expected delay in full recovery of economic activities across the globe and its impact on the Ghanaian economy. Despite Government's intention to aggressively manage its fiscal budget deficit by improving on domestic revenue mobilisation through its digitisation agenda and widening of the tax net, it is imperative for Government to consider improving spending, under its Ghana CARES programme, in order to stimulate economic recovery and avoid stifling the economy.



Tax

03



Direct Taxes



Introduction

The initial budgeted income and property taxes (“direct taxes”) for 2020 was GH¢ 26.60 billion. This was revised downwards as a result of the COVID-19 pandemic to GH¢23.77 billion. Government now expects the provisional out-turn for 2020 direct taxes to be GH¢23.57 billion.

Government expects direct tax revenues of GH¢29.93 billion to be generated in 2021, representing a growth of approximately 27% over the 2020 provisional performance. Government will combine several new measures with existing ones in order to meet its target for 2021.

The direct tax policy measures include the following:

Margin Summary

Introduction of 5% financial sector clean-up levy (“Finsec clean-up levy”)



Budget and PwC Commentary

Introduction of financial sector clean-up levy (Finsec clean-up levy)

Government intends to introduce a 5% levy on the profit-before-tax of banks to help defray costs following the recent clean-up.

This levy is expected to operate like the National Fiscal Stabilisation Levy (NFSL), which is also a 5% levy on the profit-before tax of banks (excluding rural and community banks) and other specified industries. In this case, the finsec levy will not be allowed as a permitted expense for income tax purposes. As such, the finsec levy will increase the tax burden on banks in which case the average effective income tax rate of banks will be 35% on their profits.

In 2021, Government expects to raise GH¢219 million from this measure and a total of GH¢1.70 billion for the period 2022 to 2024. Provided Government engages well enough with the banks, we do not expect an increase in fees and charges of banks as this will discourage the cashless economy agenda. Government proposes to review the levy in 2024 and it is our hope that this finsec clean-up levy will not be extended as seen in the case of the NFSL. Given its similarity to NFSL, Government could consider an increase in the NFSL rate for banks from 5% to 10% instead of the new levy, in order to simplify the implementation. A new tax and additional filing requirements may worsen Ghana's ranking in the Ease of Paying Taxes and the World Bank's Ease of Doing Business Survey.

Direct Taxes



Margin Summary

Additional reliefs as COVID - 19 support for specified businesses



Budget and PwC Commentary

Additional reliefs as COVID-19 support for specified businesses

Government will roll out additional reliefs in the form of tax rebates for specified industries which have been hit hardest by the pandemic, and suspend instalment taxes for small businesses and public transport.

30% rebate on income tax for companies in the hospitality, entertainment and education industries

We welcome Government's efforts to provide relief to companies in these industries for the last three quarters of 2021. We expect the legislative changes to clearly specify the qualification criteria, since these industries include a variety of members. For instance, the 30% tax rebate in income taxes will effectively reduce the tax rates of hotels from 22% to 15.4% and the entertainment and education industries from 25% to 17.5%. Given that the rebate will be effected during the year, we would have wished for the rebate to apply for the entire year, rather than having businesses go through the challenge of calculating chargeable income for the first quarter and then for the rest of the year.

Suspension of quarterly income tax for small businesses, 'trotros' and taxis

Government's proposed measure seems to be targeted at improving the cash flow of these business owners, but does not relieve them of their annual tax payment obligations. Although the amounts are marginal, with commercial vehicle owners paying between GH¢12 and GH¢30 and self-employed persons paying between GH¢3 and GH¢45 every quarter on account, we encourage Government to engage properly with the intended beneficiaries and communicate clearly that the amounts are only suspended, otherwise Government would have to consider the amount irrecoverable.

Direct Taxes



Margin Summary

Permanent Tax-Exemption on Capital Gains on Listed Securities



Budget and PwC Commentary

Permanent Tax-Exemption on Capital Gains on Listed Securities

Government intends to permanently exempt gains realised from trading securities on the Ghana Stock Exchange (GSE) from tax.

Since the inception of the GSE, shareholders of securities listed on the GSE have effectively enjoyed tax exemptions on capital gains from the realisation (e.g. sale) of their securities with this incentive due to expire after 31 December 2021. Government has decided to make this exemption permanent. This permanent exemption is expected to provide certainty to investors and make the GSE more attractive, in line with the Government's intention of boosting investor participation in listed securities.

This measure is expected to support the GSE initiatives for 2021 which include collaborating with the State Interests and Governance Authority (SIGA) and the Association of Ghana Industries (AGI) to increase listings, enhance access to long-term capital and improve corporate governance practices of listed entities. It is also expected to increase the proportion of pension fund assets held in listed equities based on the GSE's engagement with the National Pensions Regulatory Authority (NPRA) and its members.

Indirect Taxes



Introduction

The provisional performance for taxes on domestic supply of goods and services and international trade (jointly referred to as “indirect taxes”) for 2020 was GH¢23.47 billion compared to a revised budget amount of GH¢20.61 billion (and an initial 2020 budget of GH¢24.9 billion). This favourable increase of 13.88% is attributable mainly to a 72.09% favourable increase in taxes collected from international trade as compared to the 2020 Revised Budget. The Ghana Revenue Authority (GRA) attributes this performance to the Integrated Customs Management System (ICUMS) which was introduced in April 2020.

Government will introduce a number of tax policy measures in order to grow indirect tax revenues by 24.93% to GH¢ 29.32 billion in 2021.

The key proposals on indirect taxes for 2021 are:

Margin Summary

Introduction of
COVID-19 Health
Levy



Budget and PwC Commentary

Introduction of COVID-19 Health Levy

A COVID-19 Health Levy of a one percentage point increase in the National Health Insurance Levy (“NHIL”) and a one percentage point increase in the VAT Flat Rate will be introduced.

Government seeks to explore new avenues to raise revenue to finance its social intervention policies introduced in the wake of the COVID-19 pandemic. This proposal to increase the NHIL to 3.5% (from 2.5%) will also increase the effective standard VAT rate from 13.125% to 13.25%. The increase in the effective VAT rate of 0.125% is as a result of the GRA's approach of computing standard rate VAT on the value inclusive of NHIL and the Ghana Education Trust Fund Levy (GETFL). It is expected that the combined effect of the standard rate VAT, NHIL and GETFL will be 19.25% (up 1.125% from 18.125%). With the NHIL being a non-recoverable input tax, we expect a corresponding increase in the costs to be borne by businesses. In addition, this levy will have an impact on import taxes as a result of the cascading effect.

The VAT Flat Rate Scheme (VFRS) which applies mainly to wholesalers and retailers of goods is also expected to see an increase from the current 3% rate to 4%. These increases will have the effect of increasing prices of goods sold at the retail and wholesale levels of the supply chain.

Although the above measures are expected to yield tax revenues of GH¢889 million in 2021 and GH¢4.35 billion from 2022 to 2024, the expected revenues should be balanced with the effect of the introduction and implementation of the African Continental Free Trade Area (AfCFTA) agreement. The non-recoverable input taxes embedded in the cost build-up of goods originating from Ghana may make goods expensive and uncompetitive on the continent.

Indirect Taxes



Margin Summary

Introduction of Sanitation and Pollution Levy and Energy Sector Recovery Levy (Delta Fund)



Budget and PwC Commentary

Introduction of Sanitation and Pollution Levy and Energy Sector Recovery Levy (Delta Fund)

Government is proposing a Sanitation and Pollution Levy (“SPL”) of 10 pesewas on the price per litre of petrol/diesel under the Energy Sector Levies Act (ESLA). In addition, Government is proposing an Energy Sector Recovery Levy of 20 pesewas per litre on petrol/diesel under the ESLA.

Government plans to address the country's sanitation and pollution issues by introducing an extra levy within the currently existing ESLA. The proposed GH¢0.10 SPL on the price per litre of petrol and diesel will undoubtedly increase the ex-pump price, and subsequently impact the cost of fares and doing business. In our view, alternative policies to tackle the country's source of sanitation and pollution challenges should be implemented. Such measures should encourage good sanitation practices rather than introducing taxes that potentially apply to every Ghanaian.

In a bid to raise revenue to cover the excess capacity charges that have resulted from Power Purchase Agreements (PPAs) on a take-or-pay basis, Government proposes an additional GH¢0.20 Energy Sector Recovery Levy (ESRL). These new levies will be charged in addition to levies such as the Energy Debt Recovery Levy (49p/litre), Road Fund Levy (48p/litre), Energy Fund Levy (1p/litre), and Price Stabilisation and Recovery Levy (14p/litre plus 2p/litre for petrol only) charged under ESLA on petrol and diesel. These are in addition to the 46p/litre Special Petroleum Tax for petrol/diesel.

The above measures which are expected to generate GH¢978 million in 2021 and GH¢5.15 billion from 2022 to 2024 will have the effect of increasing fuel prices at the pumps. Currently, Government estimates a 5.7% increase in fuel prices from the combined effect of the SPL and the ESRL. This increase in fuel prices will have an effect on inflation indices, on the cost of doing business and in the medium to long term, on the cost of living.

Indirect Taxes



Margin Summary

Taxation of the Digital Economy



Budget and PwC Commentary

Taxation of the Digital Economy

Government in 2021 will review current legislation and provide additional regulations and administrative guidelines for the taxation of e-services.

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

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

We expect Government to publish and implement the guidelines the GRA has been working on in recent times to implement VAT on e-commerce services. These guidelines will make it administratively feasible for affected non-resident suppliers to voluntarily comply with the provisions of the VAT Act. We also anticipate that new measures or laws will subsequently be introduced to effectively tax the income sourced in Ghana by non-resident players in the digital economy.

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

General Administrative Measures



Introduction

The 2021 Budget has outlined some tax-related administrative measures to be pursued within the year. In a year that will see a number of new taxes being introduced, it is understandable that a few additional administrative measures would be introduced. Nonetheless, it is imperative to get the administrative measures right since they will impact on Government's ability to meet its tax revenue target of GH¢55.83 billion.

The tax administrative measures proposed in the 2021 Budget are:

Margin Summary

Extension of the waiver of interest as incentive for early payment of accumulated tax arrears



Budget and PwC Commentary

Extension of the waiver of interest as incentive for early payment of accumulated tax arrears

A waiver of penalty and interest on accumulated tax arrears up to December 2020 to reduce cash flow challenges for companies and individuals who agree with GRA to pay up the principal by September 2021. Beneficiaries of these reliefs will have to be registered with the Ghana Revenue Authority and must have fulfilled their first quarter tax obligations.

A similar measure was introduced in 2020 to encourage taxpayers who owed taxes to settle the principal portion of the liabilities without worrying about sanctions (interests and penalties) on late payment of taxes. However, the Ghana Revenue Authority's (GRA's) position was that the measure was limited to waiver of penalties and not interests. We welcome this proposal and Government's desire to extend the waiver to cover interest for late payment. To avoid disputes with the GRA, we encourage Government to amend the Revenue Administration Act, 2016 (Act 915) to support this policy. Without this change, Government's intentions may not be realised. Since the pandemic is still raging, Government should consider extending the waiver of penalty and interest to cover tax debts accumulated up to June 2021 and payment of the principal amount by 31 December 2021.

General Administrative Measures



Margin Summary

Intensifying audits and introducing debt recovery measures in the extractive industry



Budget and PwC Commentary

Intensifying audits and introducing debt recovery measures in the extractive industry

Government through the GRA will intensify tax audits and put in place debt recovery measures to augment audit efforts.

Tax audits result in a considerable amount of revenue for Government. In the past few years, the GRA has been aggressive in conducting tax audits with dedicated teams focused on specific tax areas and industries.

In 2021, the GRA intends to intensify its audit efforts to aid revenue mobilisation. To achieve this goal, the GRA will require investment in people and technology to address challenges such as delayed audits and inaccuracy of liabilities assessed. The current climate (COVID-19 era) also affords the GRA the opportunity to explore large scale, online-based or automated tax audits which could speed up audit processes and improve the turnaround time.

The GRA intends to carry out debt recovery activities targeted at the extractive industry. Taxpayers in the industry are encouraged to take measures such as engaging independent consultants to undertake tax health checks before a GRA audit.

General Administrative Measures



Margin Summary

Setting up of the Tax Appeals Board



Budget and PwC Commentary

Setting up the Tax Appeals Board

The Revenue Administration (Amendment) Act, 2020 (Act 1029) was passed to establish an Independent Tax Appeals Board. The role of the Tax Appeals Board is to determine appeals against the tax decisions of the Ghana Revenue Authority (GRA). The Executive Secretary and members of the Appeals Board will be appointed within the first half of 2021.

Since GRA plans to intensify audits, it implies that audit disputes will require swift resolution. It is therefore refreshing that Government intends to appoint the Executive Secretary and members of the Tax Appeals Board by June 2021.

Based on our review of Act 1029, there are no provisions for the amount of time required for the Board to issue their decisions on cases brought before them. To avoid delays in resolving cases, and defeating the purpose of the Board as an effective dispute resolution alternative, we suggest that a maximum period of six (6) months should be set for cases brought before the Board to be decided. In addition, we recommend that decisions of the Board should be made public to develop the practice of tax compliance and also improve on tax education in Ghana.

General Administrative Measures



Margin Summary

Gaming policy



Digitisation agenda



Budget and PwC Commentary

Developing a comprehensive gaming policy

To enhance revenue mobilisation Government will formulate a comprehensive gaming policy.

The 2021 Budget mentions the introduction of a policy to assist Government to further regulate the gaming industry and to close revenue loopholes. There is the need for persons operating in the sector to actively engage with the Ministries of Finance and Interior, and the Gaming Commission in the drafting of this policy.

Deepening the digitisation agenda on transactions of goods and services and tax collection systems

Government will undertake activities directed at attaining a more digitalised economy including harmonising identification numbers.

Technology continues to play an important role in Government's tax revenue mobilisation efforts. In the last few years, Government has carried out exercises and introduced systems (Digital Address System, Payment System Interoperability, E-Government Projects) aimed at automating and strengthening the tax system to make it more efficient.

Government intends to replace Tax Identification Numbers, SSNIT biometric numbers, and National Health Insurance numbers with Ghana Card Unique Identification numbers (GUIN). The Ghana Card will also be linked to bank accounts, SIM cards and passports amongst others, making it acceptable by all institutions for conducting business.

Our expectation is that there would be systemic changes to facilitate the amalgamation of records held by the different authorities affected. Government should take into account the additional administrative burdens this would mean for the tax authority, particularly during the transition period, and its impact on tax resources. Government is also encouraged to consider any data privacy and protection concerns that may arise as a result of the integration.

General Administrative Measures



Margin Summary

Exemptions Bill to be re-laid



Budget and PwC Commentary

Exemptions Bill to be re-laid

To check abuses and strengthen the exemptions regime, the Exemptions Bill which has gone through several stakeholder consultations and revisions will be re-laid in Parliament in 2021.

In March 2019, the Exemptions Bill, 2019 was laid in Parliament. Soon after, Parliament requested comments from the public on this Bill. Unfortunately, this Bill did not progress past the Committee stage in Parliament and lapsed. Government intends to reintroduce it. We hope that Government's commitment to passing this Bill will be stronger this time around. This Bill lays down clear processes a person can go through to obtain tax exemptions and disables other bodies from purporting to grant tax exemptions.





Sectoral Outlook Overview

04



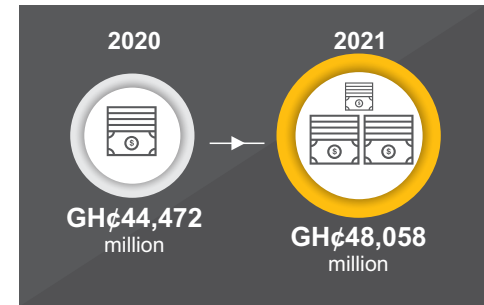
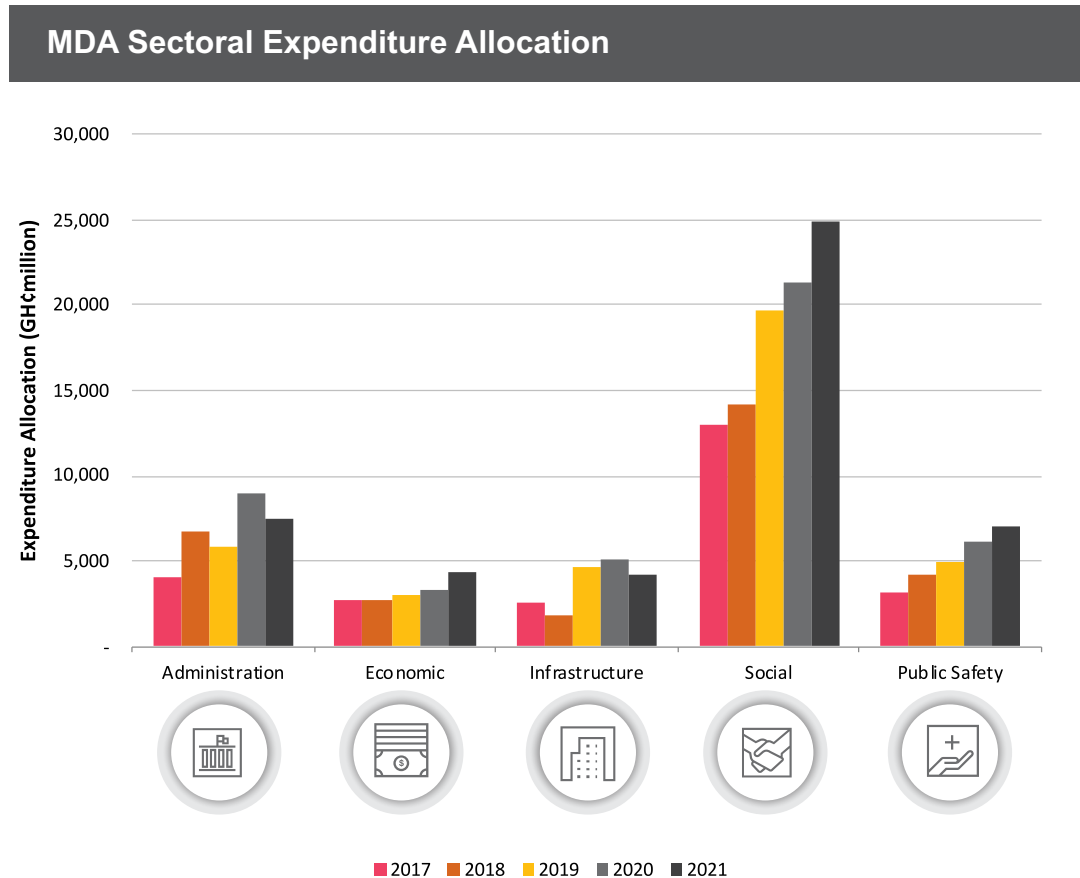


Sectoral Outlook Overview



The Sectoral Outlook is categorised into five main sectors namely; Administrative, Economic, Infrastructure, Social and Public Safety. This section highlights the key activities and interventions government intends to implement at the various MDAs to achieve the budget theme of “Economic Revitalisation through Completion, Consolidation & Continuity”.

The graph below shows the comparison between the 2021 Budget Statement and the preceding Budget Statements of 2020, 2019, 2018 and 2017.



Government has increased the Sectoral allocation from **GH¢44,472 million** in 2020 to **GH¢48,058 million** in 2021 representing an increase of 8%. This increase in the sectoral allocation appears to be consistent with Government's various social interventions, public safety and economic transformation agenda planned for the year.

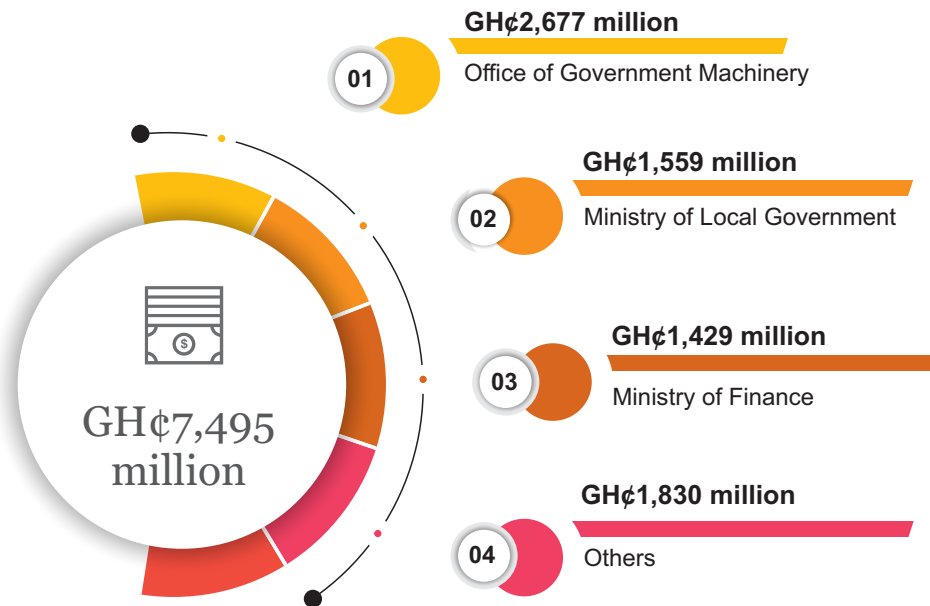
We set out below details of Government's key activities and spending plans in 2021 for the five sectors.

Sectoral Outlook Overview



Administrative Sector - Key Ministries

Budget and PwC Commentary



Office of Government Machinery (“OGM”)

Key initiatives for OGM in 2021 include:

- Replace Tax Identification Numbers, SSNIT biometric numbers as well as the National Health Insurance numbers with Ghana Card identification numbers, and also link the Ghana Card to sim cards, bank accounts, passports, Births and Deaths document and DVLA documents
- Organise a summit in March 2021 through Ghana Investment Promotion Centre (GIPC) to promote further interaction between foreign investors, government officials, the private sector and other key stakeholders
- Disburse GH¢50.4 million through Micro Finance and Small Loans Centre (MASLOC), by way of micro and small loans and Gh¢30 million in tricycle and vehicle loans.

The OGM saw a 38% decrease in its budgetary allocation from GH¢4,314 million in 2020 to GH¢2,677 million in 2021. The realignment of the Free Senior High School (SHS) budgetary allocation from the OGM to the Ministry of Education largely accounts for the reduction.



Government's plan to link all forms of national identification as well as sim cards and bank accounts to the Ghana Card is laudable. This would help widen the tax net and help enhance revenue mobilisation. To ensure the successful implementation of this initiative, all stakeholders should be engaged early in the process and careful consideration should be taken of the various disparate systems and data sources that will be involved. Achievement of this will contribute to Government's fulfilment of the UN Sustainable Development Goal 16 (SDG16), by developing effective, accountable and transparent institutions and providing a universal legal identity to Ghanaian nationals.

Sectoral Outlook Overview



Administrative Sector - Key Ministries (continued)

Ministry of Local Government, Decentralisation & Rural Development (MLGDRD)

Key initiatives for MLGDRD in 2021 include:

- Conduct a performance assessment using District Assemblies Performance Assessment Tool (DPAT) II for 260 assemblies
- Train 18,000 extreme poor households in sustainable livelihood activities under the Ghana Productive Safety-Net Project
- Provide temporary employment to 47,987 extreme poor persons under the Labour-Intensive Public Works (LIPW) programme in 80 districts
- Retool and upgrade of 2 Community Development Vocational and Technical Institutes to provide technical and vocational training to 5,000 youth, alternative livelihood skills training for 1,250 persons to address the challenges of illegal mining activities etc

The MLGDRD saw a 44% rise in its budgetary allocation from GH¢1,108 million in 2020 to GH¢1,599 million in 2021. Government's planned capital expenditure for the ministry which increased by more than 30% the budgeted amount in 2020 (from GH¢7.8 million to GH¢249 million) largely accounts for the increase in allocation.



Government's continued commitment to improving the livelihoods of Ghanaians in line with the UN Sustainable Development goals (SDGs) of eradicating poverty (SDG1) and promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (SDG8) is evidenced by the 44% increase in the budgetary allocation to MLGRD. Considering the investment being made to this effect, it is essential for the ministry to provide effective oversight of the initiatives under its domain to ensure that their objectives are successfully achieved.

Ministry of Finance (MoF)

Government's key initiatives under the MoF for 2021 include:

- Pursue the three-year GH¢100 billion COVID-19 Alleviation and Revitalisation of Enterprise Support (CARES) Programme launched in November 2020
- Implement the Digital Financial Services Policy and Cash-Lite Roadmap which is intended to speed up financial inclusion and digital payments
- Deploy Ghana.Gov platform across Government agencies to facilitate transparent, efficient delivery of public goods and services and timely payments into designated bank accounts
- Commence the implementation of the Capital Market Plan in collaboration with SEC
- Facilitate the issuance of the US\$3-US\$5 billion Eurobond within the first quarter of 2021.

Budgetary allocation for MoF increased by 87% from GH¢763 million in 2020 to GH¢1,429 million in 2021. This is attributed mainly to a 279% growth in allocations from development partner funds which increased from an amount of GH¢211 million in 2020 to GH¢799 million in 2021.



The Ghana CARES "Obaatampa" Programme is to mitigate the adverse impact of the COVID-19 pandemic as well as serve as the blueprint for the country's post COVID-19 economic recovery and structural economic transformation. This ties in with the Government's Ghana Beyond Aid agenda and also encompasses a number of SDGs: (1) No Poverty, (3) Good Health and Well-being, (4) Quality Education, (6) Clean Water and Sanitation, (7) Affordable and Clean Energy, (8) Decent Work and Economic Growth, (9) Industry, Innovation and Infrastructure, (11) Sustainable Cities and Communities. It is worth noting that the success of this programme requires a concerted effort towards continuous monitoring and evaluation of its implementation.

Sectoral Outlook Overview



Administrative Sector - Key Ministries (continued)

Others

The other Ministries, Departments and Agencies (“MDAs”) under the Administration Sector include the Ministry of Foreign Affairs and Regional Integration, Ministry of Information, Ministry of Parliamentary Affairs, Audit Service, National Development and Planning Commission, Public Services Commission, National Media Commission and Office of the Head of Civil Service. Government’s 2021 key initiatives for some of these MDAs include:

- Modernise the new Passports Head Office by the Ministry of Foreign Affairs and Regional Integration as well as introduce chip-embedded passports and machine-readable visa stickers
- Delivery of projects such as mechanised community water systems, rehabilitation of 5km access roads, construction of community recreational parks by the Zongo Development Fund.

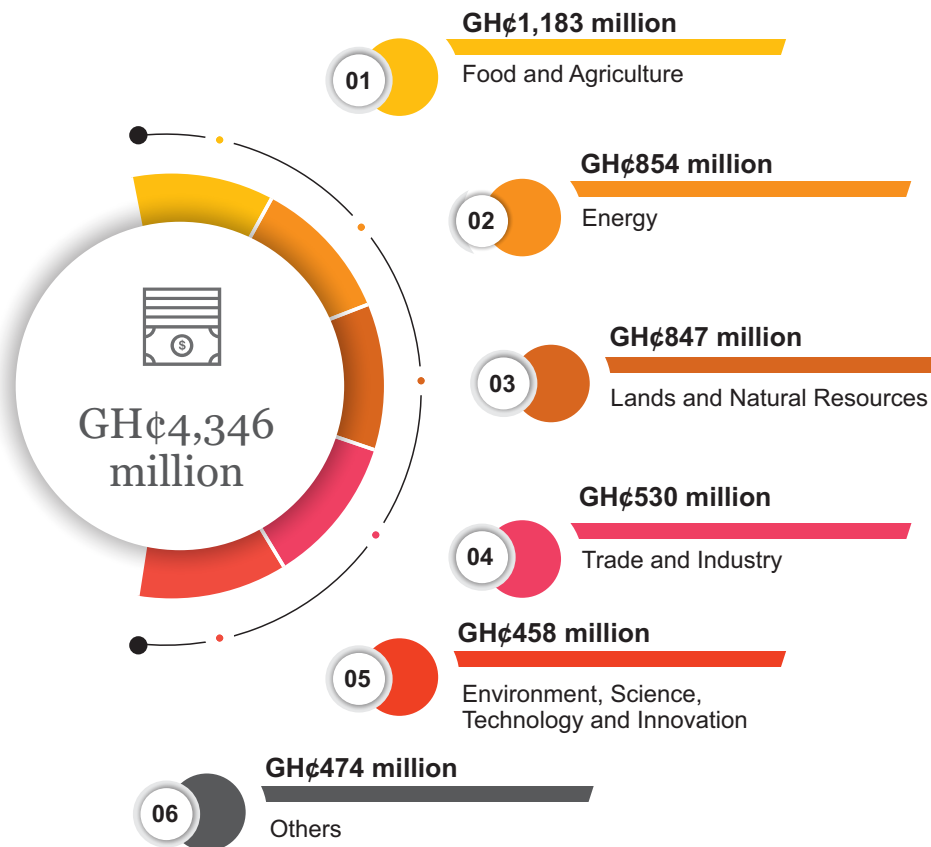




Sectoral Outlook Overview



Economic Sector - Key Ministries (continued)



Ministry of Food and Agriculture (MoFA)

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

- Continue to roll out programmes under the National Agriculture Investment Plan
- Develop the structures of the Tree Crops Development Authority and roll out activities to develop the sub-sector in support of the Planting for Export and Rural Development programme
- Distribute agriculture machinery and equipment worth Gh¢465 million to farmers to boost mechanisation development
- Complete 17 warehouses under the 'One District One Warehouse' intervention to boost storage capacity for the anticipated increased projection under the Planting for Food and Jobs (PFJ) programme
- Allocate Gh¢457 million to the cocoa road's improvement programme
- Set up the Cocoa and Shea Division of COCOBOD with an initial funding of Gh¢64 million to improve the production of coffee and shea

Government's strategy for the agriculture sector continues to be centred around the models under the National Agriculture Investment Plan. Pursuant to the Ministry's agenda of ensuring food security post COVID-19 pandemic, an amount of GH¢1,183 million is allocated to the Ministry of Food and Agriculture representing a 22% increase from the 2020 Budget



With Government's determination to take full advantage of the African Continental Free Trade Area (AfCFTA) to produce more in Ghana and to sell more to Africa and beyond, the increased investment in the sector is in the right direction. With the nation's food resilience having been proven during the pandemic, Government's focus on the Planting for Food and Jobs ("PFJ") programme should be re-directed towards increased production to meet the demands outside the country.

*Others include: Ministry of Fisheries and Aquaculture Development (GH¢375 million) and Ministry of Tourism, Culture and Creative Arts (GH¢99 million).

Sectoral Outlook Overview



Economic Sector - Key Ministries (continued)

Ministry of Energy (MoE)

The key initiatives include:

- Relocate the Ameri Plant to Kumasi to help stabilise the national grid
- Complete the 330kV A4BSP (Pokuase Bulk Supply Point)
- Implement the 161kV Aboadze-Takoradi line upgrade project and the 161kV Takoradi-Tarkwa-New Tarkwa-Prestea upgrade project
- Construct a new substation at Dunkwa-on-Offin, reconstruct over-aged 161kV transmission lines from Aboadze through Dunkwa to Asawinso with higher capacity
- Distribute 446,000 stoves under the Climate Change Mitigation Programme
- Set up and operationalise the Petroleum Hub Development Corporation.

In 2021, MoE's allocation increased from GH¢594 million to Gh¢854 million, representing a growth of 44%. 78% of the Ministry's allocation is earmarked towards energy infrastructure.



Government's efforts towards optimisation and efficiency within the energy sector through the reduction of high distribution losses and expansion of existing energy infrastructure in the sector is commendable. Given that the PPP Act has been passed by Parliament, Government should continue to explore the possibilities of leveraging on public-private partnerships to see the realisation of these initiatives.

Ministry of Lands and Natural Resources (MLNR)

Key Initiatives under MLNR include the following:

- Strengthen forest plantation establishment, restore degraded landscapes and implement the National Afforestation Programme
- Implement the Forest Law Enforcement Governance and Trade (FLEGT) licensing system
- Roll out a comprehensive programme for the digitisation of all land records for purposes of ensuring effective land administration
- Redevelop selected urban areas in the country, including: Kumasi Sector 18, Sekondi-Takoradi Beach Road and some prime but decayed areas in Tamale in the Northern Region
- Introduce e-services in the small-scale mining license acquisition process and deploy the use of drones and customised software to enhance monitoring of small-scale operations
- Operationalise the community mining schemes to manage the challenges of small-scale mining
- Commence the prospecting of two new bauxite hills in the Awaso area and ramp up of production in the Awaso mines in 2021.

Government has allocated GH¢847 million to the Ministry of Lands and Natural Resources in 2021, compared to an allocation of GH¢844 million in 2020, representing a marginal increase of 0.4%.



Government's initiative to strengthen forest plantation and restore degraded landscapes is commendable. Government should encourage private sector participation through stakeholder engagement in the implementation of its initiatives.

Sectoral Outlook Overview



Economic Sector - Key Ministries (continued)

Ministry of Trade and Industry (MoTI)

The key initiatives include:

- Continue the implementation of a comprehensive and wide-ranging Industrial Transformation Programme
- Continue the 1D1F initiative through the commencement of 49 projects and the completion of 107 projects under construction
- Support and develop the auto industry in Ghana through the establishment of an automotive manufacturing centre in Accra and a satellite office in Kumasi
- Submit a sugar bill to parliament for approval to effect the policies and incentives stated in the National Sugar Policy
- Roll-out of an Export Development Support Programme to execute orders under the AfCFTA Ghana-UK Interim Trade Partnership Agreement, and the EU-Ghana Economic Partnership Agreement.

Government has increased its budgetary allocation from GH¢490 million in 2020 to GH¢530 million in 2021. This represents an increase of 8% from 2020. 33% of the budgetary allocation for Ministry of Trade and Industry is towards CAPEX.



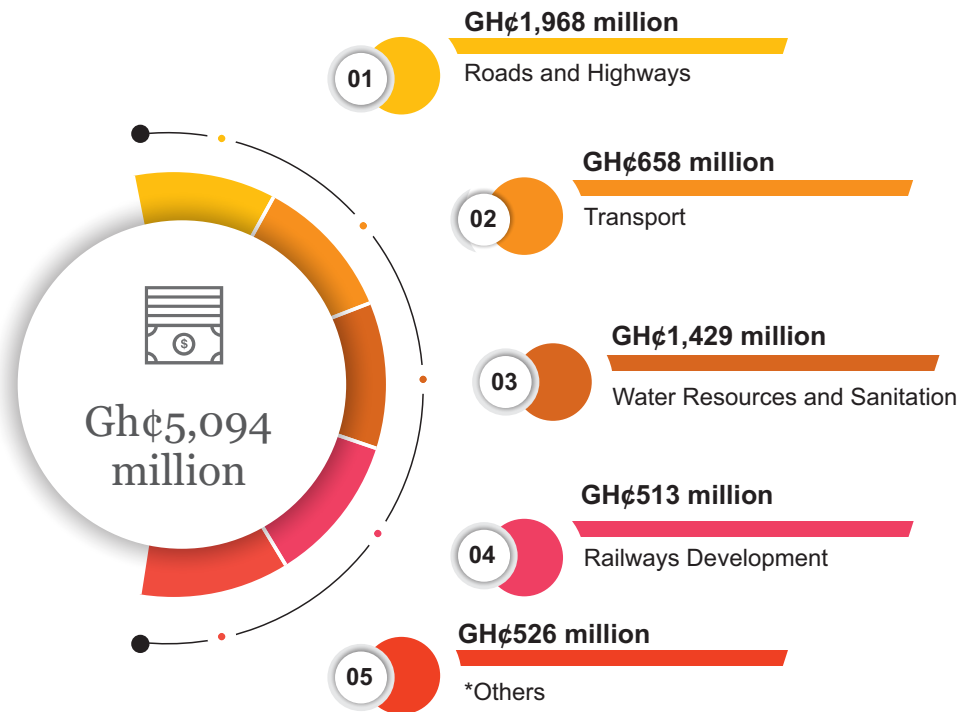
With Ghana being host of the Secretariat of the African Continental Free Trade Area (AfCFTA), the Government should create the enabling environment for Ghanaian businesses to take advantage of the full benefits of the significant investments that the country is bound to receive from being the epicentre of the Free Trade Area.



Sectoral Outlook Overview



Infrastructure Sector - Key Ministries



Ministry of Roads and Highways (MRH)

The Ministry's key initiatives for 2021 are to:

- Commence work on key pipeline projects including construction of 764km stretch of roads, four bridges, components of 50 steel bridges, interchanges and roundabouts across the country
- Continue on-going projects under the first phase of Sinohydro Master Project Support Agreement
- Introduce the electronic tolling of roads to improve revenue generation into the Road Fund
- Enforce Axle Load Control to reduce the overall maintenance budget for the road infrastructure
- Continue efforts to consolidate plans for various PPP projects

Government has allocated GH¢1,968 million to the Ministry of Roads and Highways compared to an allocation of GH¢2,275 million in 2020, representing a decrease of about 13%. The net decrease is as a result of ABFA decreasing from GH¢1,200 million in 2020 to GH¢795 million in 2021.



As Government continues its 'Year of Roads' Agenda, it is imperative that the development of the roads sector remains a priority to facilitate the nation's economic transformation agenda. Government's commitment to the Sinohydro deal and finalising and executing the PPP arrangements in the sector are critical to achieving success in this area.

Government's commitment to building the capacities of local players to participate in these programmes will bolster the country's envisioned economic transformation. Electronic tolling is a laudable initiative to achieve efficiency and enhance revenue generation. However, these investments must result in direct, noticeable and sustainable impact on the quality of our road infrastructure.

*Others include: Ministry of Works and Housing (GH¢175 million) and Ministry of Communications (GH¢351 million)

Sectoral Outlook Overview



Infrastructure Sector - Key Ministries (continued)

Ministry of Railways Development (MoRD)

The key initiatives in the railway sector for 2021 are:

- Complete Kojokrom-Manso and the Tema-Mpakadan of the Western and the Ghana-Burkina Faso Railway Lines respectively
- Construct the Kumasi-Eduadin, Eduadin-Obuasi and Manso-Huni Valley of the Western Railway Line
- Complete procurement for the development of the Eastern Railway line from Tema to Kumasi to connect to the Boankra Inland Port
- Complete procurement process for the development of the Mpakadan-Paga Railway Line, a part of the Ghana-Burkina Interconnectivity Line
- Acquire two sets of Class IC4 High Speed Diesel Multiple Unit trains and complete procurement process for supply of 35 passenger and cargo trains for Western and Eastern corridors

The budgetary allocation for the Ministry of Railways Development increased by 18% from GH¢435 million in 2020 to GH¢513 million in 2021. This increase is largely attributable to DPF increasing from GH¢308 million in 2020 to GH¢368 million in 2021 (i.e. 19%).



Government's plan to acquire new trains demonstrates commitment to provide quality transport services for the citizenry. However, transparent procurement measures should be followed to ensure value for money. The UMaT School of Railways and Infrastructure Development has taken in the first batch of students. This would help develop capacity for management and maintenance of the railway network in Ghana.

Ministry of Transport (MoT)

The major initiatives to be implemented include:

- Implement the lease-to-own financing agreement for commercial vehicle owners to replace worn-out vehicles
- Present to Parliament the regulations on the National Road Safety Authority Act, 2019 (Act 993)
- Introduce a cashless payment option for public transport services
- Develop a Transport Sector Database and Documents Management System
- Commence a feasibility study for the reconstruction of six landing points on the Volta Lake

The Ministry of Transport has a budgetary allocation of GH¢658 million, a significant increase of 59% from the allocation of GH¢413 million in 2020. This increase is largely due to 58% (GH¢274 million to GH¢435 million) and 50% (GH¢117 million to GH¢176 million) in DPF and IGF allocations for 2020 and 2021 respectively.



The Ministry's initiatives of enforcing the Road Safety Regulations aimed at stemming the carnage on our roads is commendable. The lease-to-own financing arrangement is beneficial as it will enhance road safety. The necessary due diligence should be carried out on beneficiaries to ensure that the scheme benefits the right target group and that the capital can be recouped.

Sectoral Outlook Overview



Infrastructure Sector - Key Ministries (continued)

Ministry of Sanitation and Water Resources (MSWR)

Key initiatives for the Ministry include:

- Continue the construction of the Upper East, Yendi, Tamale and Damongo Water Supply Projects, 622-hand pump-fitted wells, 32 mechanised water schemes, and the Rural Communities and Small Towns Water Supply Project (RCSTWSP)
- Complete the implementation of the Greater Accra Metropolitan Area Sanitation and Water Project, Kpong Phase 2, Ho and Hohoe, Sekondi-Takoradi, Sunyani, Essiama, Keta, Techiman and Wenchi.

The allocation for the Water Resources and Sanitation Ministry increased by more than 55% from GH¢361 million in 2020 to GH¢561 million in 2021. Most of the increase is attributable to the DPF which saw an increase from GH¢297 million in 2020 to GH¢423 million (about 43%). This quantum leap is a demonstration of Government's commitment to providing access to safe water for the citizenry.



The Ministry's initiative to 'implement governance, ecosystem restoration, and conservation interventions to reverse trends in ecosystem and water degradation and improve livelihoods in the Volta Basin' is commendable. The continuous degradation of the environment including the plastic menace, open defecation, galamsey and continuous deforestation threaten the source of clean water. Government must adopt sustainable and multi-sectorial approach to preserving our water bodies. This is critical to meeting the SDG 6.

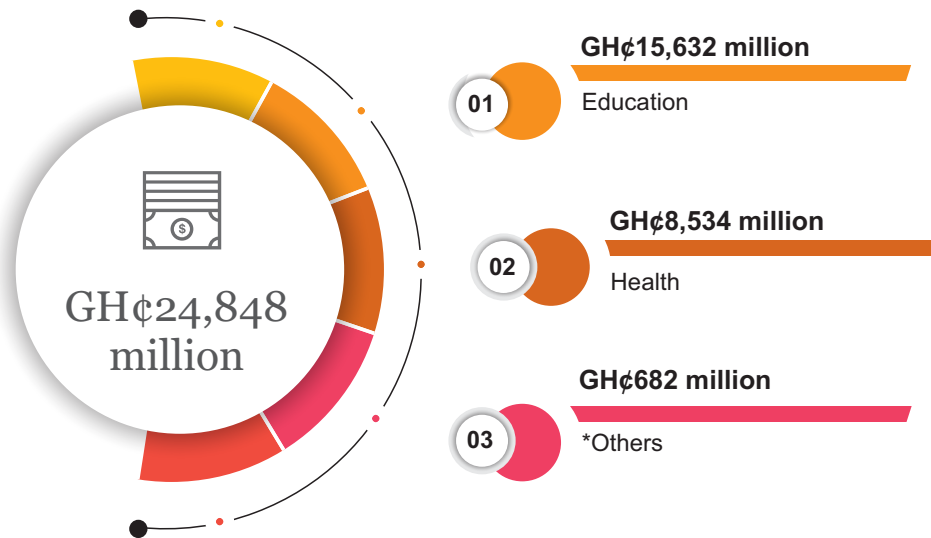




Sectoral Outlook Overview



Social Sector - Key Ministries



Ministry of Education (MoE)

Key Government initiatives under this Ministry include:

- Train 11,997 teachers on the KG-P6 Standard-Based Curriculum and 95,000 teachers on the Common Core Programme
- Implement the Early Childhood Education policy which provides a framework for comprehensive early childhood education, including standards for teaching and monitoring of service providers
- Establish 21 state-of-the-art technical and vocational education training centres of excellence across the country
- Commence the five-year Ghana Jobs and Skills Project

The Ministry's 2021 budget allocation of GH¢15,632 million has increased by 16% compared to GH¢13,430 million in 2020. The increase is mainly due to reallocation of the Free Senior High School budget of GH¢1,974 million from the Office of Government Machinery to the Ministry of Education.



Continuous investment in education, such as continuation of infrastructural projects and absorption of the registration fees for candidates from public Junior High Schools is expected to increase access to education, particularly basic and secondary education. This will contribute towards the attainment of the United Nations Sustainable Development Goal 4 (Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all by 2030).

*Others include Ministry of Gender, Children and Social Protection (GH¢330 million), Ministry of Employment and Labour Relations (GH¢208 million), National Commission for Civic Education (GH¢68 million), Ministry of Youth and Sports (GH¢34 million), Ministry of Chieftaincy and Religious Affairs (GH¢36 million) and National Labour Commission (GH¢6 million).

Sectoral Outlook Overview



Social Sector - Key Ministries (continued)

Ministry of Health (MoH)

Key initiatives include the following:

- Scale-up the vaccination of Ghanaians to enable the attainment of herd immunity in Ghana by end of 2021
- Continue the implementation of Agenda 111 to provide hospitals and related infrastructure nationwide to improve the delivery of healthcare
- Develop the Health Sector Medium Term Development Plan to guide health sector investment
- Establish the Ghana Centre for Disease Control and facilitate the passage of a legislative instrument to strengthen the emergency response system

The Budget for the Ministry increased by 26% from GH¢6,749 million in 2020 to GH¢8,534 million in 2021. The increase is primarily due to an increase in compensation budget from GH¢4,149 million in 2020 to GH¢5,245 million in 2021, an increase of GH¢1,096 million.

Key Government initiative by the other Ministries include:

- Commence construction of an Olympic Size Sports Complex in the Greater Accra Region in preparation towards the hosting of the 2023 All Africa Games.



The Government's commitment to the health sector has intensified as a result of the COVID-19 pandemic. The plan to establish the Ghana Centre for Disease Control, implement Agenda 111 to provide hospitals and related infrastructure nationwide and strengthen the emergency response system should create expansion of the available facilities and offer better and improved health care. However, the long-term success of these key initiatives will depend on Government's ability to ensure sustained health sector financing, especially in the face of declining support from development partners largely due to the impact of the COVID-19 pandemic.



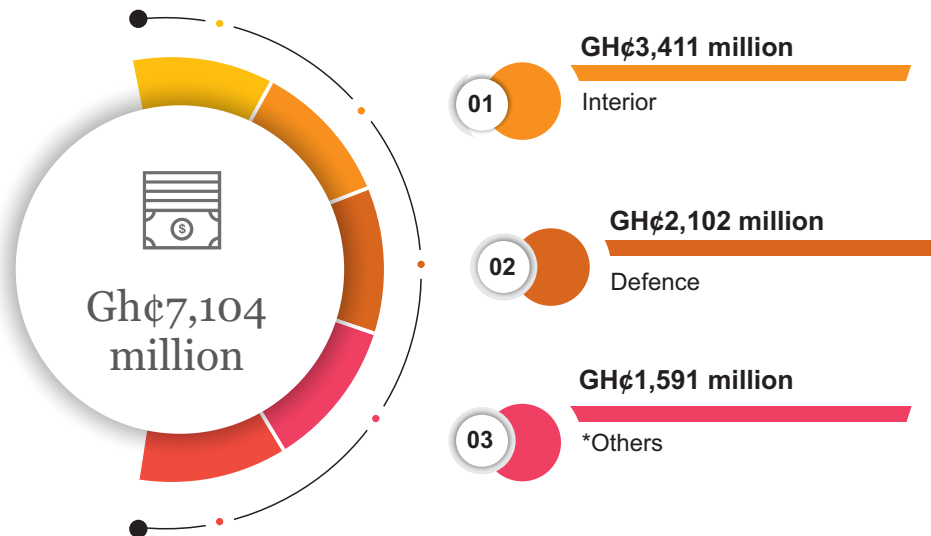


Sectoral Outlook Overview



Public Safety – Key Ministries (continued)

Ministry Of Interior (MOI)



In 2021, the Ministry's key initiatives include:

- Continue to mark police and military weapons in the Greater Accra Region
- Establish an Electronic Small Arms Database Management System
- Activate early warning systems for floods and other emergencies
- Complete the National Contingency Plan on earthquakes and other policies on disaster risk reduction
- Enhance intelligence-led policing from the expansion of reward to an informant system
- Continue the automation of Police Stations programme and setting up CCTVs to cover police stations
- Develop a Legislative Instrument to support the NACOC Act, 2020 (Act 1019)
- Continue to make amendments to Immigration Act 2000, (Act 573)
- Amend the Gaming Act 2006, (Act 721) and develop a Legislative Instrument

The Ministry's allocation increased by 8% from GH¢3,162 million in 2020 to GH¢3,411 million in 2021. More than 97% of this increase is allocated to employee compensation. In total, 96% of the allocated 2021 budget is for employee compensation as opposed to 93% in 2020. Small arms database management system and setting up CCTVs at police stations across the country also account for the increase in the budgetary allocation.



The key initiatives align with the budget's theme of completion and consolidation through the expansion of its digital infrastructure and legal framework. The initiatives are also in line with the UN Sustainable Development Goals to reduce the flow of illicit financial and arms flows and promote the rule of law. The continued digitisation efforts are commendable. However, Government should consider a higher allocation for logistical support, particularly for the police service, to enable them function more efficiently.

*Others include: Ministry of National Security (GH¢873 million), Judicial Service (GH¢397 million), Ministry of Justice and Attorney General's Department (GH¢134 million), CHRAJ (GH¢47 million), Office of the Special Prosecutor (GH¢124 million) and Office of Legal Aid Commission (GH¢16 million)

Sectoral Outlook Overview



Public Safety – Key Ministries (continued)

Ministry of Defence (MoD)

The key initiatives under the Ministry of Defence are:

- Upgrade the MoD/GAF ICT infrastructure
- Continue the infrastructure works on 500-bed Military Hospital in Afar, Kumasi
- Continue implementation of “Earned Dollar Payment Policy” for deployed troops
- Establish 12 additional Forward Operating Bases and three logistics centres on northern borders.

The MoD's budget sees a significant increase of 36% in 2021 over its 2020 budget. 51% of the increase is allocated to staff compensation and 38% is allocated to the development partners fund. The significant increase in the budgetary allocation is due to the planned capital expenditure to complete the military hospital and ICT infrastructure.



The initiatives align with the 2021 State of the Nation Address with large investments in security services for regional peace and stability. It also conforms to the SDG goals on institutional strengthening and ICT infrastructure. The construction of the Military Hospital is also timely given the COVID-19 pandemic. In completing these infrastructure projects, the Government should also seek to address issues on the Government defence integrity index 2020 for more transparency in defence sector procurement.

Others

Key initiatives by the other Ministries include:

- Open the Mankessim Court Complex in the Mfantseman Municipality and the High Court in Odumase Krobo
- Construct 98 court buildings with bungalows across the regions as well as a multi-purpose judicial training institute in Accra
- Organise orientation on Code of Conduct for newly appointed ministers, MPs, and presidential staffers
- Investigate 300 corruption cases and conduct a midterm review of the National Anti-Corruption Action Plan (NACAP) and actual corruption survey.



The initiatives highlight Government's intentions to create a more robust security system, particularly with the expansion of the Judicial Service across the country. In light of AfCFTA, the Ministry of National Security should also consider setting up a specialised or a monitoring system unit to monitor and prevent any potential increase in criminal activity.



Appendix

05



Appendix

Appendix 1

Summary of Central Government Revenue 2020-2021

Government Revenue Millions of Ghana Cedis	2020 Revised	2020 Prov.	2021 Budget	Variance (E=C-)	Variance (F=B-A)
TAX REVENUE	42,331.69	44,452.26	55,834.84	13,503.15	2,120.57
TAXES ON INCOME & PROPERTY	23,769.77	23,570.16	29,932.71	6,162.94	-199.61
Personal	8,651.43	7,507.06	9,114.86	463.43	-1,144.37
Self Employed	360.92	394.24	626.52	265.60	33.32
Companies	11,113.29	11,425.72	14,734.56	3,621.27	312.43
Company Taxes on Oil	777.59	792.48	971.00	193.41	14.89
Others	2,866.54	3,450.66	4,485.77	1,619.23	584.12
Other Direct Taxes	2,256.41	2,781.95	3,339.51	1,083.10	525.54
o/w Royalties from Oil	838.54	1,092.08	1,231.60	393.06	253.54
o/w Mineral Royalties	1,003.63	1,376.22	1,732.91	729.28	372.59
National Fiscal Stabilisation Levy	296.01	483.42	728.39	432.38	187.41
Finsec clean-up Levy	0.00	0.00	219.09	219.09	0.00
Airport Tax	314.12	185.28	198.78	-115.34	-128.84
TAXES ON DOMESTIC GOODS AND SERVICES	15,901.65	15,356.12	22,711.94	6,810.29	-545.53
Excises	3,838.18	3,292.01	5,338.39	1,500.21	-546.17
Excise Duty	333.51	415.22	696.72	363.21	81.71
Petroleum Tax	3,504.67	2,876.79	4,641.67	1,137.00	-627.88
o/w Energy Fund Levy	41.48	43.18	49.35	7.87	1.70
o/w Road Fund Levy	1,659.52	1,857.78	1,973.03	313.51	198.26
VAT	8,287.16	8,320.80	11,114.38	2,827.22	33.64
Domestic	5,043.35	5,301.52	6,653.76	1,610.41	258.17
External	3,243.81	3,019.28	4,460.62	1,216.81	-224.53
National Health Insurance Levy (NHIL)	1,610.42	1,600.64	2,373.88	763.46	-9.78
Customs Collection	619.25	540.59	980.31	361.06	-78.66
Domestic Collection	991.17	1,060.05	1,393.57	402.40	68.88
GETFund Levy	1,630.09	1,583.22	2,388.55	758.46	-46.87
Customs Collection	638.92	522.91	994.98	356.06	-116.01
Domestic Collection	991.17	1,060.31	1,393.57	402.40	69.14
Communication Service Tax	535.80	559.44	607.67	71.87	23.64
Covid-19 Health Levy	0.00	0.00	889.07	889.07	0.00
TAXES ON INTERNATIONAL TRADE	4,714.21	8,112.67	6,613.52	1,899.31	3,398.46
Imports	4,714.21	8,112.67	6,613.52	1,899.31	3,398.46
Import Duty	4,714.21	8,112.67	6,613.52	1,899.31	3,398.46
o/w EXIM	0.00	215.38	0.00	0.00	215.38
o/w AU Levy	0.00	53.55	0.00	0.00	53.55
Exports	0.00	0.00	0.00	0.00	0.00
o/w Cocoa	0.00	0.00	0.00	0.00	0.00
Tax Refund	-2,052.93	-2,586.68	-3,423.33	-1,370.40	-533.75
SOCIAL CONTRIBUTIONS	595.29	45.72	644.97	49.68	-549.57
SSNIT Contributions to NHIL	595.29	45.72	644.97	49.68	-549.57

NON-TAX REVENUE	6,735.55	6,666.64	10,302.23	3,566.68	-68.91
Retention	2,858.99	4,003.18	5,893.77	3,034.78	1,144.19
Lodgement	3,876.56	2,663.46	4,408.46	531.90	-1,213.10
Fees & Charges	437.27	565.07	883.56	446.29	127.80
Dividend/Interest & Profits (Others)	90.94	275.48	100.03	9.09	184.54
Dividend/Interest & Profits from Oil	2,204.35	1,695.84	3,216.31	1,011.96	-508.51
Surface Rentals from Oil/PHF Interest	7.83	6.66	8.15	0.32	-1.17
NLA/ NCA (IITT Proceeds)	274.80	0.00	0.00	-274.80	-274.80
Licences	70.06	0.00	0.00	-70.06	-70.06
Environmental Levy	0.00	0.00	0.00	0.00	0.00
Other Income	686.00	0.00	0.00	-686.00	-686.00
Fees from Mineral Export	0.00	0.00	0.00	0.00	0.00
Luxury Vehicle Levy	0.00	0.00	0.00	0.00	0.00
Yield from Capping Policy	105.33	120.41	200.41	95.08	15.08
OTHER REVENUE	2,779.62	2,738.93	4,205.13	1,425.51	-40.69
ESLA Proceeds	2,779.62	2,738.93	3,227.21	447.59	-40.69
Energy Debt Recovery Levy	1,777.98	2,032.11	2,158.29	380.31	254.13
Public Lighting Levy	260.04	132.47	273.05	13.01	-127.57
National Electrification Scheme Levy	168.26	91.67	176.68	8.42	-76.59
Price Stabilisation & Recovery Levy	573.33	482.68	619.20	45.87	-90.65
Delta Fund	0.00	0.00	666.26	666.26	0.00
Pollution and Sanitation Levy	0.00	0.00	311.66	311.66	0.00
DOMESTIC REVENUE	52,443.15	53,903.55	70,987.18	18,544.03	1,460.40
GRANTS	1,223.34	1,228.70	1,465.14	241.80	5.36
Project Grants	719.34	1,228.70	1,465.14	745.80	509.36
Programme Grants	504.00	0.00	0.00	-504.00	-504.00
TOTAL REVENUE & GRANTS	53,666.49	55,132.25	72,452.32	18,785.83	1,465.76

Appendix

Appendix 2

Summary of Central Government Expenditure 2020-2021

EXPENDITURE	2020 Revised	2020 Prov.	2021 Budget	Variance (E=C-)	Variance (F=B-A)
Compensation of Employees	27,061.79	28,268.94	30,313.60	3,251.81	1,207.15
Wages and Salaries	23,851.60	25,047.39	25,798.81	1,947.21	1,195.79
Social Contributions	3,210.19	3,221.55	4,514.79	1,304.60	11.36
Pensions	1,232.57	1,217.85	1,651.12	418.55	-14.72
Gratuities	230.38	269.46	515.98	285.60	39.08
Social Security	1,747.23	1,734.24	2,347.69	600.46	-12.99
Use of Goods and Services	7,743.57	7,388.31	5,966.79	-1,776.78	-355.26
o/w ABFA	496.86	643.41	775.53	278.67	146.55
Interest Payments	26,268.28	24,599.25	35,863.82	9,595.54	-1,669.03
Domestic	21,134.42	18,352.06	28,368.07	7,233.65	-2,782.36
External (Due)	5,133.86	6,247.19	7,495.75	2,361.89	1,113.33
Subsidies	229.33	168.12	247.68	18.35	-61.21
Subsidies to Utility Companies	0.00	0.00	0.00	0.00	0.00
Subsidies on Petroleum Products	229.33	168.12	247.68	18.35	-61.21
Grants to Other Government Units	11,805.14	11,881.95	18,081.39	6,276.25	76.81
National Health Fund (NHF)	1,929.29	1,123.58	1,903.91	-25.38	-805.71
Education trust Fund	1,055.58	986.68	1,442.80	387.22	-68.90
Road Fund	871.82	544.00	1,191.81	319.99	-327.82
Petroleum Related Funds	21.80	196.52	29.81	8.01	174.72
Dist. Ass. Common Fund	1,874.46	2,184.13	2,402.33	527.87	309.67
Ghana Infrastructure Fund (ABFA Capex)	0.00	0.00	361.91	361.91	0.00
Retention of Internally Generated Funds (IGFs)	2,858.99	4,003.18	5,893.77	3,034.78	1,144.19
Transfer to GNPC from Oil revenue	1,438.19	1,120.31	1,047.45	-390.74	-317.88
Other Earmarked Funds	1,755.01	1,723.55	3,807.60	2,052.59	-31.46

Social Benefits	150.08	150.08	165.08	15.00	0.00
Lifeline Consumers of Electricity	150.08	150.08	165.08	15.00	0.00
Transfers for Social Protection	0.00	0.00	0.00	0.00	0.00
Other Expenditure	13,712.29	11,860.90	7,989.16	-5,723.13	-1,851.39
ESLA Transfers	2,550.29	2,738.93	2,979.53	429.24	188.64
Covid-19 Related Expenditures	11,162.00	8,121.98	4,509.63	-6,652.37	-3,040.02
o/w CAP (Contingency Fund)	1,203.72	0.00	0.00	-1,203.72	-1,203.72
Capital expenditure	9,326.67	12,082.87	11,422.71	2,096.04	2,756.20
Domestic Financed	3,624.42	4,811.21	3,310.32	-314.10	1,186.79
o/w GILF	0.00	0.00	0.00	0.00	0.00
o/w ABFA	1,159.33	2,127.71	1,318.40	159.07	968.38
Foreign financed	5,702.26	7,271.66	8,112.39	2,410.13	1,569.40
Other Outstanding Expenditure Claims	0.00	0.00	0.00	0.00	0.00
TOTAL EXPENDITURE	96,297.14	96,400.43	110,050.23	13,753.09	103.29
APPROPRIATION	109,933.17	111,910.55	129,032.80	19,099.63	1,977.38
Total Expenditure	96,297.14	96,400.43	110,050.23	13,753.09	103.29
Arrears (net change)	1,443.23	1,443.23	3,700.00	2,256.77	0.00
Amortisation	12,192.80	14,066.89	15,282.58	3,089.78	1,874.09

Appendix



Economic

Fiscal Performance Statement

	2021 Budget	2020 Prov. Outturn	% of GDP (2021)	% of Expenditure (2020)
REVENUE				
DOMESTIC REVENUE	70,987.17	53,903.56	16.37%	64.50%
Tax revenue	55,834.84	44,452.27	12.87%	50.74%
Taxes on income & property	29,932.71	23,570.16	6.90%	27.20%
Taxes on domestic goods and services	22,711.94	15,356.12	5.24%	20.64%
Taxes on international trade	6,613.52	8,112.67	1.52%	6.01%
Tax refund	-3,423.33	-2,586.68	-0.79%	-3.11%
Non - tax revenue	10,302.23	6,666.64	2.38%	9.36%
Social contributions	644.97	45.72	0.15%	0.59%
Other revenue	4,205.13	2,738.93	0.97%	3.82%
GRANTS	1,465.14	1,228.70	0.34%	1.33%
TOTAL REVENUE	72,452.31	55,132.26	16.71%	65.84%
EXPENDITURE				
Compensation of employees	30,313.60	28,268.94	6.99%	27.55%
Use of goods and services	5,966.79	7,388.31	1.38%	5.42%
Interest payments	35,863.82	24,599.25	8.27%	32.59%
Subsidies	247.68	168.12	0.06%	0.23%
Grants to other government units	18,081.39	11,881.95	4.17%	16.43%
Social benefits	165.08	150.08	0.04%	0.15%
Other Expenditure	7,989.16	11,860.90	1.84%	7.26%
Capital Expenditure	11,422.71	12,082.87	2.63%	10.38%
TOTAL EXPENDITURE	110,050.23	96,400.42	25.38%	100.00%
Overall Balance	-37,597.92	-41,268.16	-8.67%	-34.16%
Arrears clearance	-3,700.00	-1,443.23	-0.85%	-3.36%
Discrepancy	0.00	-2,209.12	0.00%	0.00%
(Fiscal deficit)/ balance	-41,297.92	-44,920.51	-9.52%	-37.53%
Financed by:				
Foreign borrowings	15,874.31	31.25	3.66%	14.42%
Domestic borrowings	41,850.02	45,643.04	9.65%	38.03%
Other financing	0.00	-103.93	0.00%	0.00%
Ghana petroleum funds	-332.37	1,126.78	-0.08%	-0.30%
Sinking fund	-16,094.05	-572.89	-3.71%	-14.62%
Contingency fund	0.00	-1,203.72	0.00%	0.00%

Our Leadership Team



Vish Ashiagbor
Country Senior Partner
vish.ashiagbor@pwc.com



Michael Asiedu-Antwi
Partner, Assurance Leader
michael.asiedu-antwi@pwc.com



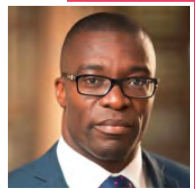
George Kwatia
Partner, Tax Leader
george.kwatia@pwc.com



Maxwell Darkwa
Partner, Assurance
maxwell.darkwa@pwc.com



Ayesha Bedwei
Partner, Tax
ayesha.a.bedwei@pwc.com



George Arhin
Partner, Assurance
george.k.arhin@pwc.com



Nelson B. Opoku
Partner, Internal Firm Services
nelson.b.opoku@pwc.com



Eric Nana Nipah
Partner, Advisory Leader
eric.nipah@pwc.com



Edward Gomado
Partner Assurance
edward.gomado@pwc.com



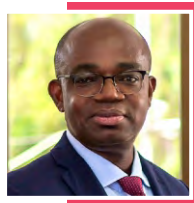
Abeku Gyan-Quansah
Partner, Tax
abeku.gyan-quansah@pwc.com



Hayfron Aboagye
Partner, Assurance
hayfron.aboagye@pwc.com



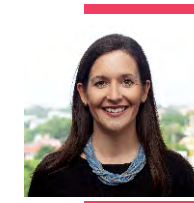
Kingsley Owusu-Ewli
Partner, Tax
kingsley.owusu-ewli@pwc.com



Kingsford Arthur
Partner, Advisory
kingsford.arthur@pwc.com



Richard Ansong
Partner, Assurance
richard.ansong@pwc.com



Jessica Shannon
Partner, Advisory
jessica.s.shannon@pwc.com

Contact us

Accra Office

PricewaterhouseCoopers (Ghana) Limited
Plot no. A4, Rangoon Lane
Cantonments City
PMB CT 42, Accra, Ghana
Tel: +233 30 276 1500
Fax: +233 30 276 1544
www.pwc.com/gh

Sierra Leone Office

Number 117 Jomo Kenyatta Road
Freetown, Sierra Leone
Tel: +232 79 998 321
www.pwc.com/gh



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