2021 Budget Highlights

Budget Statement and Economic Policy of the Government of Ghana for the 2021 Fiscal Year

March 2021
Foreword

“Consolidation, Completion and Continuation”

The year 2020 was challenging for countries all over the world of which Ghana is no exception.

The Government took some really difficult decisions including locking down some parts of the country at the outbreak of the pandemic last year as well as providing support to vulnerable individuals and businesses. These actions impacted the economy and business growth in general.

Although, some countries recorded negative growth in 2020, we achieved a positive growth rate of 0.9% albeit lower than the initial target. The year 2020 will remain in our history as one of the most challenging years that we have faced as a people.

Several businesses and individuals experienced economic hardships due to the adverse impact of the novel coronavirus pandemic. Government in supporting businesses and individuals rolled out a number of stimulus packages including the CAPBuSS Fund, free water and electricity to lifeline consumers, distribution of food to households etc.

These initiatives had an adverse impact on government’s planned expenditure for 2020.

On 12 March 2021, the Minister of Parliamentary Affairs, Hon Osei Kyei-Mensah-Bonsu, presented the 2021 Budget Statement and Economic Policy ("the Budget") under the theme “Consolidation, Completion and Continuation” to Parliament on behalf of the President. This sets the tone for Government’s planned activities for the first year of the President’s second mandate.

The 2021 Budget is focused on activities targeted towards economic recovery following the pandemic. This is important to ensure that businesses and individuals are cushioned and supported to build more capacity for growth. The key priority areas of the Budget include delivering COVID-19 containment measures and vaccination, creating and sustaining jobs, implementing the GhanaCARES Programme, promoting entrepreneurship and wealth generation and making fiscal space for implementation of priority programmes.

Revenue mobilisation is crucial for the achievement of these priorities. Government will require innovative ways to raise additional revenue and contain expenditure levels so as to create the fiscal space to realise these targets and priorities.

Additionally, Government would have to continue its efforts in digitising its processes and systems to facilitate and sustain an enabling environment for businesses to thrive and survive in the face of fierce competition by the global community.

It is imperative that the private and public sectors find efficient and innovative ways to collaborate in building a stronger and better post pandemic economy.

At KPMG, we believe it is essential that the business community actively engages with Government to inform policy and foster the co-creation of interventions that support inclusive growth.
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2021 Budget Theme

“Economic Revitalisation through Completion, Consolidation and Continuation”
Priorities & Strategic Pillars of the 2021 Budget

**PRIORITIES**

- COVID-19 Containment Measures & Vaccination
- Creating and sustaining jobs
- Implementation of the GhanaCARES Programme
- Entrepreneurship and wealth creation
- Consolidation and completion of existing programmes/projects
- Security
- Creation of fiscal space for implementation of priority programmes

**STRATEGIC PILLARS**

- Restoring and sustaining macroeconomic stability with a focus on debt sustainability over the medium-term
- Revitalising and transforming the economy through the implementation of the GhanaCARES Programme to ensure the socio-economic transformation that results in a modernised, competitive, and resilient economy to promote inclusive and sustainable growth
- Building a robust financial services sector to support growth and development
- Providing a supportive private sector environment for entrepreneurship, domestic businesses and Foreign Direct Investment (FDI) to thrive
- Deepening structural reforms to make the machinery of Government work more efficiently and effectively to support socio-economic transformation. In particular, implement reforms to increase revenue mobilisation and the efficiency of public expenditures
Executive Summary
2021 Budget at a Glance

5.0% Overall GDP growth rate
6.7% Non-Oil GDP growth rate
9.5% of GDP Fiscal deficit
8.0% End-period Inflation
4.0 months Import cover
1.3% of GDP Primary deficit

Revenue
GHS 72.5 billion

Public debt
GHS 291.6 billion
(as at Dec. 2020)

Expenditure (excl. arrears)
GHS 110.1 billion
**Tax Initiatives**

1. **Financial Sector Clean-up Levy** of 5% on profit before tax of banks
2. **COVID-19 Health Levy** made up of:
   - One (1) percentage point increase in National Health Insurance Levy (NHIL) from 2.5% to 3.5%
   - One (1) percentage point increase in Value Added Tax (VAT) Flat Rate from 3% to 4%
3. **Sanitation and Pollution Levy (SPL)** of 10 pesewas on the price per litre of petrol/diesel under the Energy Sector Levies Act (ESLA)
4. **Energy Sector Recovery Levy (Delta Fund)** of 20 pesewas per litre on petrol/diesel under the Energy Sector Levies Act (ESLA)
5. **Proposed amendment to the Fees and Charges (Miscellaneous Provisions) Act, 2018 (Act 983)** to cater for automatic annual adjustment of road tolls

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1. Permanent tax-exemption of capital gains on listed securities
2. Provision of COVID-19 support to cushion registered individuals or entities with the Ghana Revenue Authority who have fulfilled their first quarter 2021 tax obligation. This comprises:
   - A waiver of penalty and interest on accumulated tax arrears up to December 2020
   - Thirty percent (30%) rebate on the income tax due for companies in hotels and restaurants, education, arts and entertainment, and travel and tours for the second, third and fourth quarters of 2021
   - Suspension of the quarterly income tax instalment payments for the second, third and fourth quarters of 2021 for small businesses using the income tax stamp system
   - Suspension of the quarterly instalment payments of the vehicle income tax for the second, third and fourth quarters of 2021 for Trotros and Taxis

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1. Appointment of the Executive Secretary and members of the Independent Tax Appeals Board by the first half of 2021
2. Provision of Guidelines and Practice Notes on Voluntary Disclosures and the Transfer Pricing Regulations
3. Provision of administrative guidelines for the taxation of e-services
4. Tax Exemption Bill to be re-laid before Parliament
Taxation

Pension Industry Development

1. Prosecution of Tier 2 Defaulting Employers.

2. Establishment of Risk-Based Supervisory System and Process Automation to improve efficiency in pension supervision and regulation.

Tax Administration

1. Intensification of Tax Audits.

2. Intensifying measures to curb under-reporting and evasion of taxes by some players in the downstream Petroleum Sector.

3. Ghana Card Unique Identification Number (GUIN) to Replace the Tax Identification Number (TIN) and other Identification Numbers as a measure to widen the tax net and provide easy access to Taxpayer information.
Global Developments
Global Economic Developments & Outlook

NORTH AMERICA

- Growth in the United States is projected at 5% in 2021, reflecting strong investment and fiscal stimulus package in the second half of 2020.
- The sizable fiscal support announced in the US for 2021 will help lift economic activity among advanced economies with favourable spill overs to trading partners.

AFRICA

- Sub-Saharan Africa is projected to grow at 3.2% in 2021, reversing a contraction of 2.6% experienced in 2020.
- This growth is expected to be driven by improvement in exports and commodity prices as the world economy recovers.
- Projected increases in both investment and private consumption will contribute to the growth.

MIDDLE EAST & ASIA

- After a sharp slowdown in growth to 0.9% in 2020, output in East Asia and Pacific is projected to grow at 7.4% in 2021, a level still around 3% below pre-pandemic projections.
- China’s growth is forecast to pick up to 7.9% driven by ‘pent-up’ global demand.
- Growth in the Middle East is expected to improve to a modest 2.1% in 2021, as the pandemic is brought under control and lockdown restrictions are eased, global oil demand rises, and policy support continues.

EUROPE

- The Euro Zone is expected to grow at 4.2% in 2021, representing an 11.4 percentage points increase from the estimated 7.2% contraction in 2020.
- Growth in the area is expected to result from improved COVID-19 management, an initial vaccine rollout, and rising external demand, particularly from China.

- Global growth is expected to reach 5.5% in 2021, up from the estimated contraction of 3.5% in 2020.
- The 2021 growth estimate reflects an expected positive turnaround on account of COVID-19 vaccine-powered economic activity and strong policy support from advanced countries.
- Economic performance in emerging markets and developing economies is projected to improve from the 2.4% contraction in 2020 to 6.3% growth in 2021.

Source: World Economic Outlook (IMF) and World Bank
The Economy
# Macro Economic Snapshot: 2018 - 2020

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<tbody>
<tr>
<td>Overall GDP Growth Rate</td>
<td>6.30%</td>
<td>6.50%</td>
<td>0.9%</td>
<td>0.2%**</td>
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<td>Non Oil GDP Growth Rate</td>
<td>6.50%</td>
<td>5.80%</td>
<td>1.6%</td>
<td>0.4%**</td>
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<td>End Period Inflation Rate</td>
<td>9.4%</td>
<td>7.9%</td>
<td>11%</td>
<td>10.4%</td>
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<td>Fiscal Deficit (% of GDP)</td>
<td>3.7%</td>
<td>4.8%</td>
<td>11.4%</td>
<td>9.5%</td>
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<tr>
<td>Primary Balance (% of GDP)</td>
<td>1.4%</td>
<td>0.8%</td>
<td>(4.6%)</td>
<td>(5.3%)</td>
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<td>Import Cover (Number of months cover)</td>
<td>3.6</td>
<td>4.0</td>
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**As at end of September 2020**
Fiscal Performance for 2020 (Outturn vs Revised Target)

**Total Revenue**
- Outturn: GHS 55.1bn
- Vs. Revised Targets: GHS 53.7bn
- Total revenue exceeded the revised target by 2.7%.
- This performance was driven largely by gains recorded in taxes on International Trade.

**Total Expenditure**
- Outturn: GHS 100.1bn
- Vs. Revised Targets: GHS 97.7bn
- Total expenditure for 2020 amounted to GHS 100.1 billion, resulting in a budget overrun of 2.4%.
- The higher than programmed outturn reflects the unanticipated expenses incurred to mitigate the negative impact of COVID-19.

**Fiscal Deficit**
- Outturn: 11.7% of GDP
- Vs. Revised Targets: 11.4% of GDP
- Fiscal deficit outturn was 30 basis points above the target of 11.4%.
- This deficit was financed largely from domestic sources due to the tightness of external financial conditions.

**Primary Deficit**
- Outturn: 5.3% of GDP
- Vs. Revised Targets: 4.6% of GDP
- Primary balance for 2020 was in deficit by GHS 20.3 billion, representing 5.3% of GDP against the programmed deficit of GHS 17.8 billion (4.6% of GDP).
Real Sector Performance (Sept. 2020)

Real Sector Performance

- The general slowdown in economic performance reflected in the performance of the sectors of the economy. While the Services and Industry sectors saw a marginal drop in share of GDP, the Agriculture sector increased its contribution to GDP for 2020.
- In the Agricultural sector, the Fishing subsector was the highest contributor to Agricultural sector’s growth, followed by the Livestock and Crops subsectors respectively.
- The Services sector in the first three quarters of 2020 recorded an average growth rate of 1.9 percent compared with 6.5 percent recorded in the same period of the preceding year. The severe slowdown in the sector was largely due to output contractions in the Hotels & Restaurants, Trade, and Repair of Vehicles & Household Goods subsectors. Due to the effects of the COVID-19 the Hotels and Restaurants subsector recorded a 45% contraction, making it the worst performing subsector.
- Industry recorded a contraction in the first three quarters of 2020 resulting from poor performances in the Mining & Quarrying and the Manufacturing subsectors. The electricity subsector recorded the highest growth followed by the Water and Sewage subsector. The growth of these two subsectors is attributed to the COVID-19 measures put in place by government to cushion citizens from the impact of the pandemic.
Monetary Sector Developments

**Inflation and Monetary Policy Rates**

- Government maintained its medium term (2020-2023) inflation target band of 8±2 percent and end-period inflation at 8.0%.
- Monetary policy performance in 2020 was broadly in line with expectations, despite a brief setback in the second quarter, following the COVID-19 outbreak and the subsequent increase in inflation.
- The Central Bank reduced the Monetary Policy rate by 150 bps to 14.50% in March 2020 and maintained this rate throughout the year. This was aimed at mitigating the downside impact of the pandemic on economic activities.
- Consistent with the reduction in MPR, liquidity conditions on the interbank market were boosted as the weighted average interbank rate declined from 15.20% to 13.56%.
- While private sector credit recovers to pre-pandemic levels, the Net Foreign Asset (NFA) of the banking system is expected to be the main driver of growth in broad money supply.
- There was generally a downward trend in the money market as the 91-day, 182-day and 364-day T-bills declined to 14.08%, 14.13% and 16.98% respectively as at the end of 2020.

**Credit**

- The growth in bank outstanding credit decreased from 23.8% in December 2019 to 5.8% in December 2020.
- Private sector outstanding credit growth fell from 9.4% in December 2019 to 0.2% in December 2020.

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**Exchange Rate against major trading currencies**

- The Cedi recorded a depreciation of 3.9% compared to 12.9% in 2019.
- The Cedi depreciated by 12.1% against the Euro compared to 11.2% in 2019. This was the highest depreciation amongst the major currencies.
- The Cedi fell by 7.1% against the Pound compared to 15.7% in 2019.

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**Source:** 2021 Budget Statement
Public Debt

Public Debt Dynamics

- Real total debt of GHS 291.6 billion in 2020 represented 76.1% of GDP. Excluding the financial sector bailout, the nominal debt stock falls to 71.5% of GDP.

- The increase in public debt stock from GHS 218,228.94 million in 2019 was mainly as a result of a Eurobond issuance in February 2020, COVID-19 pandemic effect, crystallisation of contingent liabilities in the energy and financial sectors and lower than expected GDP growth.

- External and domestic debt represented 37.0% and 39.1% of total debt, respectively.

- The impact of the COVID-19 pandemic called for financing support from the IMF Rapid Credit Facility (RCF), Bank of Ghana Asset Purchase Programme, and also funding from the World Bank and African Development Bank.

- As part of measures instituted by Government to ensure debt sustainability, credit risk assessments were conducted on State Owned Enterprises, which intend to enter various borrowing arrangements. The objective is to determine the credit worthiness of the entities and also assess their fiscal risk to Government. In 2020, eleven (11) Credit Risk Assessments (CRAs) were carried out on requests to the Ministry of Finance for guarantees, “No Objection”, and on-lending facilities by State Owned Enterprises (SOEs) and other public entities.
Proposed Tax Initiatives & Revenue Measures

Government’s quest to manage fiscal challenges experienced in 2020 has led to the introduction of the underlisted measures to address the challenges:

1. Financial Sector Clean-up Levy

A 5% financial sector clean-up levy on profit-before-tax of banks has been proposed to help defray outstanding commitments in the sector. This levy is projected to run to 2024 and reviewed thereafter.

2. COVID-19 Health Levy

To provide the requisite resources for the additional health spending by Government in combating the COVID-19 pandemic, Government has proposed the introduction of a COVID-19 Health Levy which comprises of:

- increase in the National Health Insurance Levy from 2.5% to 3.5%; and
- increase in the Value Added Tax Flat Rate from 3% to 4%.

3. Sanitation and Pollution Levy (SPL)

To provide the requisite resources for addressing challenges regarding sanitation and pollution, 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).

4. Energy Sector Recovery Levy (Delta Fund)

An Energy Sector Recovery Levy of 20 pesewas per litre on petrol/diesel under the Energy Sector Levies Act (ESLA), is to be introduced to address the challenges of higher excess capacity payments in the energy sector.

5. Review of Road Tolls

To maintain roads, Government intends to review existing road tolls and align them with current market rates. This will be achieved through a proposed amendment to the Fees and Charges (Miscellaneous Provisions) Act, 2018 (Act 983) that governs the setting of rates and tolls to accommodate an automatic annual adjustment that will be pegged to the previous year’s average annual inflation as published by the Ghana Statistical Service.

The financial sector clean up levy will create fiscal space for government as banking sector growth is expected to trend positively following the sector clean up.

However, banks are already paying the national fiscal stability levy, which is also set at five percent of pre-tax profits. This implies 10% of the pre-tax profits of banks will be payable in levies to the state when the financial sector clean up levy becomes operational.

The increase in NHIL will be an additional cost to businesses as that is a component of the straight levies which are not taken as an input claim. The increase in the NHIL will therefore increase the base for calculation of VAT.

Also, the proposed increase in the VAT Flat Rate from 3% to 4% will result in other cost increases either to businesses or individuals.

The automatic adjustment of tolls based on average annual inflation will allow stakeholders to plan for the increases. Government should also consider digitisation of the toll collection infrastructure and allow for the prepayment of tolls by road users. This will help government to receive the funds in advance and also minimise leakages that such systems are exposed to.
Proposed Tax Initiatives & Revenue Measures

Tax Initiatives

**1. Permanent Tax-Exemption of Capital Gains on Listed Securities**
To encourage investors to participate in Ghana’s capital market and make our market more competitive, Government proposes a permanent tax-exemption on capital gains on listed securities.

**2. Provision of COVID-19 Support**
In order to cushion the impact of COVID-19 on the populace, a roll out the following reliefs have been for individuals or entities registered with the Ghana Revenue Authority and have fulfilled their first quarter 2021 tax obligation.

- **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 has been proposed to reduce cash flow challenges for companies and individuals who arrange terms with the Ghana Revenue Authority (GRA) to pay up the principal outstanding liabilities by September 2021.

- **Granting of Tax Rebates**
  A proposal to provide a thirty percent (30%) rebate on the income tax due for companies in hotels and restaurants, education, arts and entertainment, and travel and tours for the second, third and fourth quarters of 2021 has been made.

- **Suspension of Tax Stamps for Small Businesses**
  A suspension of the quarterly income tax instalment payments for the second, third and fourth quarters of 2021 for small businesses using the income tax stamp system has been tabled.

- **Suspension of Vehicle Income Tax for Taxis and Trotros**
  A suspension of the quarterly instalment payments of the vehicle income tax for the second, third and fourth quarters of 2021 for Trotros and Taxis as part of measures to reduce the cost of transportation.

Our point of view

The proposed measures will help bring some respite to businesses and grant them additional cash flows arising out of the waivers. However, the targeted sub sectors have suffered steep shocks from the pandemic and Government should consider working capital support on resumption of normal business.

Additionally, Government should consider an extended loss carry forward period, in respect of COVID-19 specific losses, to support recovery in these subsectors.

Businesses must note, that in order to enjoy these benefits, they would be required to register with the Ghana Revenue Authority.

Specifically on the waiver of interest, it is interesting to note that there is a distinction between penalties and interest. For interest, the law defines tax to include interest payment and therefore it may be necessary for Parliament to ensure this is passed into law taking into consideration of the entire proposal in the Budget.
Proposed Tax Initiatives & Revenue Measures

1. **Appointment of the Executive Secretary and members of the Independent Tax Appeals Board**
   Following the coming into force of the Revenue Administration (Amendment) Act, 2020 (Act 1029) which sought to establish an Independent Tax Appeals Board and enhance the existing voluntary disclosure procedures, Government intends to appoint Executive Secretary and members of the Appeals Board by the first half of 2021.

2. **Provision of Guidelines and Practice Notes on Voluntary Disclosures and the Transfer Pricing Regulations**
   As part of efforts to provide clarity on how taxpayers can take advantage of the waiver of penalties provided under Act 1029, the Ghana Revenue Authority will complete guidelines and practice notes for implementation of the voluntary disclosure programme. The Ghana Revenue Authority will similarly provide guidelines on the implementation of the Transfer Pricing Regulations, 2020 (L.I. 2412).

3. **Provision of administrative guidelines for the taxation of e-services**
   As part of efforts to ensure that Ghana receives its due share of tax revenue from the digital economy, Government intends to review current legislation to strengthen relevant laws and provide additional regulations and administrative guidelines for the taxation of e-services.

4. **Re-laying of Tax Exemption Bill in Parliament**
   To check abuses and strengthen the exemptions regime, Government intends to re-lay the Tax Exemption Bill which has gone through several stakeholder consultations and revisions in Parliament.

**Our point of view**

The operationalisation of the Independent Tax Appeals Board to address taxpayer concerns with tax assessment and audit outcomes is a significant step forward in enhance of transparency of the tax administration system. However, it is important that the Board is empowered to be and be seen as independent and impartial in the resolution of tax disputes. We expect the operationalisation of the Board to potentially:

- Increase the speed of tax dispute resolution
- Reduce the cost of tax disputes
- Enhance tax compliance

The Board has the potential to boost domestic revenue generation through effective resolution of the backlog of tax disputes.

Digitalisation is seen as a key enabler for growth. Ghana has a nascent digital economy with bright prospects. However the current tax laws do not effectively address the administration of e-businesses. The introduction of these guidelines will help with the identification and collection of taxes due from these activities.
Proposed Tax Initiatives & Revenue Measures

1. **Intensification of Tax Audits**
   The Ghana Revenue Authority will intensify its tax audits and institute measures to recover all outstanding debts and enforce collections in the extractive industry.

2. **Intensifying measures to curb under-reporting and evasion of taxes by some players in the downstream Petroleum Sector**
   The Ghana Revenue Authority in conjunction with the relevant agencies will mount a campaign to deal with players in the industry who seek to or have over the period under-reported or evaded taxes.

3. **Ghana Card Unique Identification Number (GUIN) to Replace the Tax Identification Number (TIN) and other Identification Numbers**
   As a means to widen the tax net and provide easy access to Taxpayer information among others, the Government intends to replace the Tax Identification Numbers (TIN), Social Security and National Insurance Trust (SSNIT) biometric numbers as well as the National Health Insurance numbers with Ghana Card Unique Identification Number. The card will also be linked to SIM cards, bank accounts, Births and Deaths registry, Driver and Vehicle Licensing Authority (DVLA) documents and passports.

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1. **Prosecution of Tier 2 Defaulting Employers**
   The NPRA has observed that most employers fail to make Tier 2 contributions on behalf of their employees. In order to curb this, the Authority seeks to step up the prosecution of employers defaulting on their mandatory Tier 2 contributions.

2. **Establishment of Risk-Based Supervisory System and Process Automation**
   In order to improve efficiency in pensions supervision and regulation, Government intends to support the NPRA to establish a Risk-Based Supervisory System and automation of its processes.

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The introduction of the GUIN to replace the TIN and SSNIT numbers can potentially expand the number of registered tax persons to 15.5 million.
However, the key concern is how this information would be practically utilised to achieve the expected increase in tax revenue.
Sector Initiatives
Agriculture

**Enhancement of Mechanised Farming for Agriculture and Agri-Business Sector**

Government intends to engage in a number of key sector initiatives to enhance commercial farming for the Agriculture and Agri-Business Sector. These include:

- Creating the Ghana Land Information Bank (GhLIB) to offer an opportunity for a more accessible and reliable information platform that facilitates easy access to land for commercial farming
- Enhancing irrigation capacities by 2023 through the construction of 15 more Dams under 1V1D
- Enhancing the warehousing and warehousing receipt systems to increase all-year-round storage
- Expanding the Planting for Food and Jobs (PFJ) and Rearing for Food and Jobs (RFJ) to reach more farmers
- Procuring US$30m agricultural machines & equipment to deliver to farmers

**Enhancement of Crops and Livestock Production**

As a means of mitigating the effect of the COVID-19 pandemic on food and livestock production, Government would be engaged in:

- Continuous distribution of improved seeds and fertilisers to crop farmers
- Enhancing access to production inputs by farmers and increasing planned beneficiary target from 1.2 million to 1.4 million
- Distribution of 531,100 improved small ruminants’ breeds, pigs and poultry to livestock farmers

**Development and Roll-out of Structures for the Tree Crops Development Authority**

To develop and regulate the tree crop sub-sector, Government proposes to develop the structures of the Tree Crops Development Authority to support the Planting for Export and Rural Development.

Our point of view

The continuation of flagship programmes such as Planting for Food and Jobs as well as the renewed emphasis on mechanised and commercial farming signal the government’s intent on sustaining productivity gains in food production. The Ghana Land Information Bank providing reliable information on land has the potential to facilitate commercial farming operations. However, Government also needs to turn its attention to easing access to sustainable water resources to support its vision of boosting commercial farming.

State Owned Enterprises (SOEs) should also be encouraged to enter into PPPs with the private sector to take advantage of the opportunities along the agricultural value chain. Private sector actors should also be incentivised to take advantage of the enabling environment to invest in the agriculture value chain to boost food security and promote agricultural exports.
Agriculture

**Expansion of the Aquaculture for Foods and Jobs (AFJ) Programme**
As a means of boosting fish production by about 50,000MT, Government proposes to expand the AFJ to cover all 16 regions from the existing 13 regions covered in 2020.

**Harmonisation of the Fisheries Law Enforcement Programme**
As a means of ensuring that Fisheries regulations are in accordance with International Standards, the Government would work with the Ministry to draft a new Fisheries Act that will harmonise all existing sub-sectoral regulations.

**Development of the Cocoa Management System (CMS)**
Government, as a means of shaping policy and consolidating operations in the cocoa sector, is proposing to work with COCOBOD to develop an integrated cocoa farmer database to be utilised during the 2021/2022 crop year.

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**Budget Proposal**

**Our point of view**
Artisanal fishing is the mainstay of the coastal communities. The sustainability of the sub sector is threatened as fish stocks have dwindled over recent years due to myriad factors. The harmonisation of the enforcement regime for the subsector should aim to promote the sustainability of the industry.

The expansion of aquaculture as a source of fish is commendable as a job and livelihood enhancement strategy. The Government should consider including artisanal fishing coastal communities in the programme. Income from fish farming will supplement income from fishing activities and provide alternative income for periods when it is necessary to enforce a closed season for fishing to preserve fish stocks.
Financial Services

**Budget Proposal**

- **Mandatory Marine Insurance of Imported Goods with Ghanaian Insurance Companies**
  This initiative seeks to ensure that Ghanaian importers of goods (other than those for personal consumption) can easily make a claim if they suffer accidental loss.

- **Fire Insurance for Commercial Places**
  To reduce the impact of risks of fire for workers and visitors at commercial places, the Government intends to ensure proper fire insurance for commercial places such as markets, hotels, hospitals or fuel stations as well as ease of verification of insurance at these places through digitised fire insurance certificates.

- **Additional Investment in the Venture Capital Trust Fund**
  An additional US$ 45m is to be invested in the Venture Capital Trust Fund. This initiative seeks to improve access to competitive finance for entrepreneurs and enhance growth in specific sectors of the economy.

- **Easing Access of Micro, Small, and Medium Enterprises (MSME’s) to Insurance**
  National Insurance Commission, under the auspices of the Ministry of Finance, is working on a strategy to make insurance more accessible to MSMEs. This is aimed at pushing significant portion of businesses in the insurance safety net.

**Our point of view**

The proposed interventions in the insurance sector could boost the penetration of insurance services in the country. While there have been significant improvements in access to insurance services in recent times, overall penetration of insurance services remains relatively low.

The emphasis on fire insurance for markets especially and other commercial spaces could provide a vital safety net for traders in the event of a fire. It is important that government in rolling out these interventions works with industry stakeholders to accessibility and affordability in product design. Government should also consider reserving a percentage of reinsurance business for local reinsurers.

The Budget emphasises the Government’s intentions of revitalising the financial services sector with a goal of augmenting scale and size of transactions and enhancing the access to finance.
Financial Services

Introduction of Security Lending and Borrowing by Ghana Fixed Income Market (GFIM)
The GSE intends to introduce securities lending and borrowing under global standards, the Global Master Securities Lending Agreements (GMSLA), to make security transactions more effective.

Ghana Stock Exchange’s partnership with SIGA and other private sector associations
The Ghana Stock Exchange is embarking on a partnership arrangement with SIGA and other private sector associations with expected outcomes including the issuance of at least four (4) corporate bonds as well as new products such as green bonds and bio-credit trading. These initiatives ultimately seek to maintain Investor Interest in the fixed income market and to further enhance sustainable financing strategies.

Roll-out of Cocoa Farmers Pension Scheme to other Informal Sectors
The cocoa farmers pension scheme is expected to be rolled out nationwide. The scheme will provide guaranteed retirement income security to all cocoa farmers. The cocoa farmers model is also proposed to be adopted to extend pensions to other organised farmer and other informal sector groups like the Ghana Private Road Transport Union (GPRTU) etc.

Introduction of Mobile Applications for Security Trading
The GSE is to partner with FinTechs to make security trading more accessible to the ordinary Ghanaian via mobile applications.

Establishment of the Domestic Credit Rating Agency (DCRA)
The objectives of this agency will include promoting market transparency and discipline; facilitating independent rating of regulated financial institutions and other corporate entities and issuers; facilitating investment decisions by helping investors achieve a balance in the risk return profile and assist firms to access capital.

Budget Proposal
Our point of view
The Ghana Stock Exchange, through its equities and bond markets, can be a vital source of affordable long term capital for corporate growth. The proposed partnership between SIGA and the GSE to facilitate the raising of capital by SOEs on the markets is commendable. This will ease government’s need to directly support SOEs except in exceptional situations. There is also the added benefit of the enhanced governance and accountability requirements that the markets will impose on SOEs seeking to raise capital.

The introduction of the Domestic Credit Rating Agency should promote market transparency by reducing information asymmetry between market players. The DCRA will assist in more accurate pricing of financial instruments by institutions and enhance access to finance by all market players.
Transportation

**Budget Proposal**

- **Implementation of Lease-to-own Financing Arrangement**
  
  Government intends to provide initial funding to underwrite financing by private sector leasing companies to enable commercial vehicle owners and operators buy made in Ghana vehicles. This is to provide the long term financing required by commercial vehicle owners and operators to replace aged and non-road worthy commercial vehicles.

- **Development of Capacity for Railway Maintenance**
  
  The Road and Transport Ministry is collaborating with the George Grant University of Mines and Technology in Tarkwa to provide tertiary training at the refurbished Railway Training School at Sekondi now called the UMat School of Railways and Infrastructure Development. This is aimed at developing capacity for the maintenance and sustenance of the railway system in the country.

- **Introduction of Cashless Payment Solutions for Public Transports Service Providers**
  
  To improve service delivery as well as health and safety protocols in the wake of the COVID-19 pandemic, Government intends to introduce a cashless payment solution for public transport service providers.

- **Expansion and Improvement of Road Infrastructure**
  
  The Budget has earmarked the year 2021 as the “Second Year of Roads” for improvement in road infrastructure.

**Our point of view**

In recognition of the transport sector’s crucial role in national development, the Budget proposes a number of road, rail and aviation initiatives.

The Budget also highlights Government’s commitment to prioritise ongoing projects before commissioning new ones. This is commendable as abandoned projects have historically been a significant challenge to the nation’s infrastructure development.

As the focus turns to completing ongoing projects, it is important that Government also considers a structured framework for the evaluation of sources and structure of project financing for sustainability.

This is especially relevant as the recent passage of the law of public private partnerships provides opportunities for private institutional participation in the Ghana’s infrastructure growth.

The implementation of the lease-to-own financing arrangement for commercial transport operators has the potential to deliver enhanced value in the transport sector. However, it is important that Government considers the lessons learnt from other schemes to support commercial transport operators with vehicle financing in order to realise the intended benefits.
Transportation

Pursuit of Aviation Driven Development Agenda (ADDA)

To develop the business side of aviation for wealth and employment creation, the Aviation Ministry will pursue an Aviation Driven Development Agenda (ADDA) which includes the following:

- Expansion of Airline Business
- Fixed Based Operator (FBO) Services
- Development of Maintenance Repair Overhaul (MRO) Facility at Tamale
- Cargo Terminal Facility at Tamale
- Establishment of Aviation Training Organisation (ATO)
- Selection of a strategic partner for the Home Based Carrier
- Resumption of operations at the Sunyani Airport

Our point of view

The aviation sector has been negatively impacted by the COVID-19 pandemic. However, the sector’s potential to accelerate economic growth as a facilitator of trade and tourism remains strong.

The aviation sector is expected to recover as economies across the world reopen their borders in line with the completion of the vaccine rollout programmes.

The aviation sector is a critical lynchpin of Ghana’s ambition to be the gateway to Africa, in the context of the Africa Continental Free Trade Area.

It is therefore commendable that the Budget includes initiatives to maintain or improve the aviation sector’s facilities and human capacity.
Energy & Natural Resource

Budget Proposal

- **Power Sector Development and Management Programme**
  - Relocating the Ameri Plant to Kumasi to stabilise the national grid
  - Monitoring and facilitating the implementation of all ongoing projects by the Ministry of Energy to increase power supply in the nation. The completion of phase 1B of the Early Power Project will bring the installed capacity to 202MW

- **Energy Efficiency and Demand-Side Management**
  - Five million LED bulbs (6W, 9W and 13W) to be distributed to Metropolitan, Municipal and District Assemblies (MMDAs) under the street lighting project

- **Renewable and Alternative Energy Development Programme**
  - Completion of various ongoing Solar Projects to increase power supply in the nation.
  - Feasibility study for the construction of the second mini-hydro power plant
  - 36,600 units of solar lanterns to replace the use of kerosene lanterns in non-electrified communities
  - 446,000 Improved Charcoal Stoves to address the risks of exposure to carbon monoxide emissions from charcoal for cooking and deforestation

Our point of view

Access to clean energy is essential for improving quality of life. The interventions to provide off grid power solutions to unserved communities is commendable. Government should however, consider strategies for the maintenance of these off grid solutions.
Energy & Natural Resource

**Budget Proposal**

- **Petroleum Sector Development and Management Programme**
  - Launch of the Cylinder Recirculation Model (CRM) in the Hohoe Municipality and Anloga district
  - Establishment of the Petroleum Hub Development Corporation to promote Ghana as an attractive destination for investment, technology and a hub for refined petroleum products in the West African Sub-Region

- **Mineral Resources Development and Management Programme**
  - Minerals Commission together with other key stakeholders will ensure compliance with the provisions in the L.I. 2404; 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.
  - Minerals Commission to continue to facilitate the exploration of additional blocked-out areas to be licensed to small scale miners to curb the difficulty in finding economically viable areas to undertake mining activities.
  - Community mining schemes will be fully operationalised with key stakeholders to manage the challenges of small scale mining.
  - Minerals Commission to ensure the timely ratification of mining leases granted by government.

**Our point of view**

Since Government’s intention for creating the petroleum hub is to encourage investment, it will need to position itself to take advantage of the investment opportunities that will be presented through this initiative.

The introduction of the e-services in the acquisition of mining licenses could potentially ease the process for individuals engaged in small scale mining to acquire a license to operate. Government should ensure the processes are not cumbersome in order to encourage participation.
Health

Budget Proposal

- **Setting up of four (4) more drone centres**
  - Set-up four (4) more drone centres to improve Rural Healthcare in Ghana and increase coverage to ninety-five percent (95%). The Ministry of health in collaboration with Zipline and other partners will also distribute COVID-19 vaccines to the facility level.

- **Human Resource for Health Programme**
  - Develop a strategy to attract and retain health workers in deprived areas and continue with the insurance package targeted at health workers who contract COVID-19. This will help to achieve the Sector’s objective of Universal Health Coverage (UHC).

- **Health Sector Management and Administration Programme**
  - Develop the Health Sector Medium Term Development Plan to guide health sector investment.
  - Establish the Ghana Centre for Disease Control (CDC) and facilitate the passage of a legislative instrument. The aim of this initiative is to serve as a guide to health sector investments and strengthen the Emergency Response System.

- **Health Sector Regulation Programme**
  - Increase the PCR testing sites and deploy alternative technologies for testing for COVID-19 to enhance quality assurance in laboratories.
  - Government is expecting additional 2 million doses of the Covishield vaccine from the COVAX Facility by the end of March, 2021. Drones are also being used as part of the vaccine delivery. In addition, arrangements are underway to procure ultra-cold chain fridges for the vaccines such as the Pfizer type that require very low negative temperatures. This will help Government achieve its special arrangement to vaccinate all health workers across the country and the remaining population at large.

Our point of view

Government has committed to a significant expansion of healthcare delivery system. The Budget outlines initiatives aimed at a major expansion in health infrastructure as well as human capacity.

Ghana has earned global recognition for its response to the COVID-19 pandemic. The establishment of a Centre for Disease Control will further strengthen the capacity of the health delivery system to more effectively respond to future emergencies.

A coalition of private and public institutions collaborated to support the vulnerable during period of the partial lockdown. This coalition can be expanded to support Government with the mobilisation of resources for the procurement and distribution of vaccines.
Health

Boosting the Pharmaceutical Industry

- Under the CARES programme, government will boost forty (40) registered pharmaceutical manufacturers and support some to become sub-regional giants. This is part of government’s commitment to improving the pharmaceutical sector through structured engagements, calculated policy and legislative reforms.

- Government will also embark on the expansion of the procurement of locally manufactured pharmaceuticals and ensure timely payment of purchases.

- Expanding local production of Active Pharmaceutical Ingredients (API) which are required for the manufacture of all drugs. Currently, API are imported. This initiative is meant to ensure Ghana moves further down the production process.

Budget Proposal

Our point of view

The disruptions to global supply chains occasioned by the COVID-19 pandemic has emphasised the need to build local capacity for the manufacturing of essential medicines.

In this light, the initiatives aimed at enabling the expanding capacity of the local pharmaceutical industry to produce essential drugs as well as the active ingredients is a step in the right direction.
Trade & Industry

Budget Proposal

- **Developing the Housing Sector**
  - As a means of addressing the national housing deficit, the Government plans to pass the Home Ownership Financing Bill and empower housing mortgage and construction finance schemes to spur housing developments.

- **Enhancing Investment Promotion and Management**
  - To boost trade and investments in the economy, the Government is proposing a number of key investment sector initiatives including;
    - Revamping the institutional framework and detailing a more comprehensive legislative framework for GIPC & GFZB;
    - Establishing an International Financial Services Centre (IFSC) in Accra by taking advantage of the existing goodwill from the AfCFTA Secretariat; and
    - Providing an additional US$45m to support the Venture Capital Trust Fund.

- **Boosting Agriculture and Agri-business Sector**
  - To reduce imports, Government intends to ease restrictions in the Agriculture and Agri-business sector and also leverage on digitalisation to boost key capabilities of companies in these sectors to improve exports of agricultural products and add value to agricultural products.

- **Setting Up an Automotive Manufacturing Support Centre**
  - To enhance the economy’s Industrial Transformational agenda in the Vehicle Assembly and Automotive Industry, Government proposes to set up an Automotive Manufacturing Support Centre in Accra with a satellite office in Kumasi, to train and develop the skills and vehicle financing support to sector players and also set up the Automotive Industry Development Council.

Our point of view

The proposals in the Budget statement indicates Government’s strong commitment to promote a sound business environment to enhance the ease of doing business, facilitate trade and enhance FDI.

In line with Ghana’s stated aim of being the gateway to Africa, Government should look to institute a more friendly legislative and institutional framework to boost investor confidence in the Ghanaian business landscape, so as to attract more potential investors in the economy to spur FDIs.
Education

**Budget Proposal**

- **Awarding Scholarship Schemes**
  Government plans to award 20,000 local scholarships and offer 2,384 awards under foreign awards including bilateral, non-bilateral and year abroad. This is aimed to make Scholarships easily accessible to brilliant but needy students.

- **Continuous Training Opportunities for NABCO Trainees**
  Government aims to continuously enhance the employability skills of Nation Builder’s Corps (NABCO) trainees with specific attention to graduates under the NABCO regime as well as Instituting an exit plan for NABCO trainees who are currently employed.

- **Completing Setup of the Centralised Applications Processing System (CAPS)**
  To maintain consistent and uniform tertiary application processing system, Government plans to set up the CAPS for deployment in the 2021/2022 academic year.

- **Implementing the Enhanced Student Loan Scheme**
  Government will initiate action towards the implementation of the Enhanced Student Loans Scheme under which loans may be accessed on provision of a national identification number from the Ghana Card without a guarantor.

**Our point of view**

The Free SHS programme has significantly expanded access to secondary school education. However, access to tertiary education is constrained by tuition fees. The scholarship award scheme is therefore potentially good news to brilliant students who qualify for tertiary education but are otherwise unable to afford it.
Other Initiatives
Other Initiatives

- **Enhancing Regulatory Services & Compliance**
  
  Government, through the Internal Audit Agency, proposes to enhance regulatory compliance through capacity building initiatives for public officers covering:
  
  - Enterprise Risk Management (ERM)
  - Risk Based Internal Auditing
  - Procurement Audit
  - GIFMIS Ghana Integrated Financial Mana
  - Financial Statement Audit
  - Information Technology Audit

- **Introducing the National Equipment Leasing Policy**
  
  The Government, as a means of efficiently managing its capital expenditure budget is proposing the effective implementation of the National Equipment Leasing Policy.

- **Introducing a Monitoring and Evaluation Programme**
  
  The Office of the Government Machinery (taking over from the Ministry of Monitoring and Evaluation) is proposing to conduct an Annual Citizens’ Assessment Survey, as well as developing and operationalising the Ghana Performance Portal.

- **Modernisation of the New Passports Head Office and introduction of Chip-Embedded Passports**
  
  The Government proposes that the Ministry of Foreign Affairs is to undertake the modernisation of the Passports Head Office and introduce chip-embedded passports as well as machine-readable visa stickers. Also, it is proposed that all Ghana missions abroad migrate from machine readable passports to biometric passports.
GhanaCARES “Obaatan Pa” Programme

The Government launched the Ghana COVID-19 Alleviation and Revitalisation of Enterprises Support (GhanaCARES - “Obaatan pa”) Programme On 20th November 2020 to mitigate the impact of the pandemic and provide the framework for a stronger and resilient economy.

STABILISATION PHASE (June to December 2020)

The initial stabilisation phase was focused on providing relief and support to Ghanaians to ensure food security, protect businesses and workers as well as strengthen the national health system.

REVITALISATION AND TRANSFORMATION PHASE

This phase of the CARES programme begins this year. The aim of this phase is to revitalise the economy and accelerate the national transformation agenda.
GhanaCARES “Obaatan Pa” Programme

Major Initiatives under the Revitalisation and Transformation Phase

- Support commercial farming and attract educated youth into commercial farming
- Build Ghana’s light manufacturing sector
- Develop Ghana’s Housing & Construction Industry
- Develop engineering/machine tools and ICT/digital economy industries
- Establish the Development Bank of Ghana to finance the growth and development agenda under the GhanaCARES Programme
- Fast track digitalisation
- Establish Ghana as a Regional Hub
- Review/optimise implementation of Government Flagships and key programmes
Outlook
Targets for 2021

- **Overall GDP growth rate**: 5.0%
- **Non-Oil GDP growth rate**: 6.7%
- **Fiscal deficit**: 9.5% of GDP
- **End-period inflation**: 8.0%
- **Import cover**: 4.0 months
- **Primary deficit**: 1.3% of GDP

**Revenue**
GH¢ 72.5 billion

**Public debt**
GH¢ 291.6 billion
(as at Dec. 2020)

**Expenditure (excl. arrears)**
GHS 110.1 billion
Fiscal Outlook for 2021

**Tax Revenue (Net of refunds) – GH¢ 55.8 billion**
- Taxes on Income and Property: GH¢ 29.9 billion
- Taxes on Domestic Goods and Services: GH¢ 22.7 billion
- International Trade Taxes: GH¢ 6.6 billion
- Tax refunds: GH¢ 3.4 billion

**Social Contributions – GH¢ 645 million**
- Constituting ~ 1% of 2021 projected level

**Non-tax revenue – GH¢ 10.3 billion**
- Constituting ~ 14% of 2021 projected level

**Other Revenue – GH¢ 4.2 billion**
- Constituting ~ 6% of 2021 projected level

**Grants – GH¢ 1.5 billion**
- This represents Project Grants.

**Total Revenue & Grants – GH¢ 72.45 billion**

**Compensation of Employees – GH¢ 30.3 billion**
- Wages & Salaries constitutes ~ 85%
- Social Contributions ~ 15%

**Use of Goods and Services – GH¢ 5.96 billion**
- Constituting ~ 5% of 2021 projected level

**Interest Payments – GH¢ 35.9 billion**
- Domestic: GH¢ 28.4 billion ~ 79%
- External: GH¢ 7.5 billion ~ 21%

**Subsidies, Social Benefits etc. – GH¢ 26.4 billion**
- GH¢ 247.7 million for Subsidies
- GH¢ 165.1 million for Social Benefits
- GH¢ 7.99 billion for Other Expenditure
- GH¢ 18.1 billion for Grants to Other Government Units

**Capital Expenditure – GH¢ 11.4 billion**
- Domestic financed ~ 29%
- External financed ~ 71%

**Total Expenditure (excl. arrears) – GH¢ 110.1 billion**

- Total government revenue and grants of GH¢ 72.5 billion represents 16.7% of projected GDP for 2021. This is expected to be driven mainly by taxes on income and property (~41% of total revenue and grants) as well as taxes on domestic goods and services (~31% of total revenue).
- Total projected expenditure of GH¢ 110.05 billion for the same period is expected to represent 25.4% of GDP.
- An overall budget deficit of GH¢37.6 billion (8.7% of GDP) is expected for 2021. The historical trend of huge allocations to the Social sector is expected to continue in 2021.
The Infrastructure Sector remained the sector with the least sectoral expenditure allocation (4%), in line with historical trends, as against the Economic Sector which has been allocated the largest share of the 2021 expenditure (59%).

The major driver of the Economic Sector’s allocation is the projected expenditure allocation to the Ministry of Agric (28%).

The Social sector has been allocated 24% of the proposed expenditure in 2021 as against 20% in the previous year. The major driver of this sector’s allocation is the projected expenditure assigned to the Ministry of Education (~62%).
Medium Term Macro-Fiscal Targets

- The overall GDP growth rate target for 2021 of 5.0% represents a 60 basis point increase over that of 2020 (based on the revised budget). Growth in GDP is projected to see a gradual growth between 2021 and 2022 due to the introduction of the COVID vaccine and the gradual recovery of the economy. Growth performance is however expected to accelerate in 2023. Inflation is also expected to be within the target band of 8 +/- 2%.

- Over the medium term, the growth of the industry sector is expected to recover with average of 5.0% from 2021 to 2024. Contributing to this recovery will be the Mining and Quarrying subsector which is expected to recover and grow by an average of 4.2% over the medium term. The Oil and Gas subsector is also expected to contract in 2021.

- The services sector is expected to attain an average growth of 5.1%, the highest average growth of the three sectors over the medium term. The growth of the services sector is expected to trend upwards by 5.6% in 2021. Accounting for this trend is the anticipated growth of the information and communication sub-sector which is expected to record an average growth of 9.3%, on the average, over the medium term.

- The agriculture sector is expected to grow at an average rate of 4.6% over the medium term.

- The macroeconomic targets for 2021 and those to be pursued over the medium term (i.e. 2021 – 2024) remain anchored by the Coordinated Programme of Economic and Social Development Programmes (CPESDP) and the Medium-Term National Development Policy.