2023 Budget Highlights

Budget Statement and Economic Policy of the Government of Ghana for the 2023 Fiscal Year

November 2022

Foreword

"Restoring and Sustaining Macroeconomic Stability and Resilience through Inclusive Growth & Value Addition"

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Countries around the world indeed are experiencing challenging times and Ghana is no exception. Global economic activity in 2022 has experienced major disruption due to four broad-based factors: geopolitical tensions, cost-of-living crisis, tightening financial conditions, and medium-term impacts of the COVID-19 pandemic. As a country that is susceptible to external shocks, the spillover effect of these factors in addition to our domestic problems have exacerbated our economic challenges.

In the midst of the current challenges, government is considering a number of policy options to restore confidence in the economy, reduce the rising debt levels and boost economic activity.

On 24 November 2022, the Minister for Finance, Hon. Ken Ofori-Atta presented the Budget Statement and Economic Policy (the budget) under the theme, "*Restoring and Sustaining Macroeconomic Stability and Resilience through Inclusive Growth & Value Addition*" to Parliament on behalf of His Excellency Nana Addo-Dankwa Akufo-Addo.

The budget seeks to support government's policy objectives of restoring macroeconomic stability and accelerating economic transformation. It is anchored on a seven-point agenda which is documented in government's Post-COVID-19 Programme for Economic Growth (PC-PEG) for Ghana's economic transformation. The Programme focuses on the following priority areas:

- Aggressively mobilise domestic revenue through various tax reforms;
- Streamline and rationalise expenditures;
- Boost local productive capacity;
- Promote and diversify exports;
- Protect the poor and vulnerable;
- Expand digital and climate-responsive physical infrastructure; and
- Implement structural and public sector reforms.

With the current high levels of debt and recent downgrades in credit ratings, enhancing domestic revenue mobilisation remains a top priority for government. Consequently, government has proposed a number of revenue measures including: introducing an additional PAYE tax band of 35%, increasing VAT by 2.5%, introducing a minimum chargeable income tax, broadening the scope of the National Fiscal Stabilisation Levy (NSFL) to include additional industries, increasing the concessionary tax rate of 1% to 5% amongst others. The proposed measures have been summarised in this document under the section on tax and revenue measures.

It is important to note that, to achieve the above measures, a consultative approach will ensure that the concerns of individuals, households and businesses are well addressed before these measures are implemented.

Government has also outlined expenditure management priorities which should help enhance efficiency in government expenditures. Government proposes to integrate public procurement approval processes with GIFMIS to ensure that projects approved are aligned with budget allocations, review key government programmes to reflect relevance, promote efficiency, and ensure value for money and review the efficiency of Statutory Funds.

Whilst the above initiatives are laudable, government must put in place the necessary mechanisms to ensure disciplined implementation.

In addition to the above revenue and expenditure measures, government is hoping to close the IMF negotiations as soon practicable. It has been generally acknowledged that an IMF programme has the potential of restoring confidence in the economy and resetting the growth potential. This was confirmed in the results of our pre-budget survey conducted in October 2022.

Indeed, a significant number of our respondents are of the view that an IMF programme could help to salvage the economy from the current crisis, although others are calling for structural changes to eliminate the need for future IMF interventions.

The policies and actions we take in times like this must inspire confidence in our people, give them hope and empower the change that we desire. The agility in responding to economic shocks is a critical feature of resilient economies. We urge government to quickly execute these measures with discipline to restore the economy onto a path of stability, resilience, and inclusive growth.

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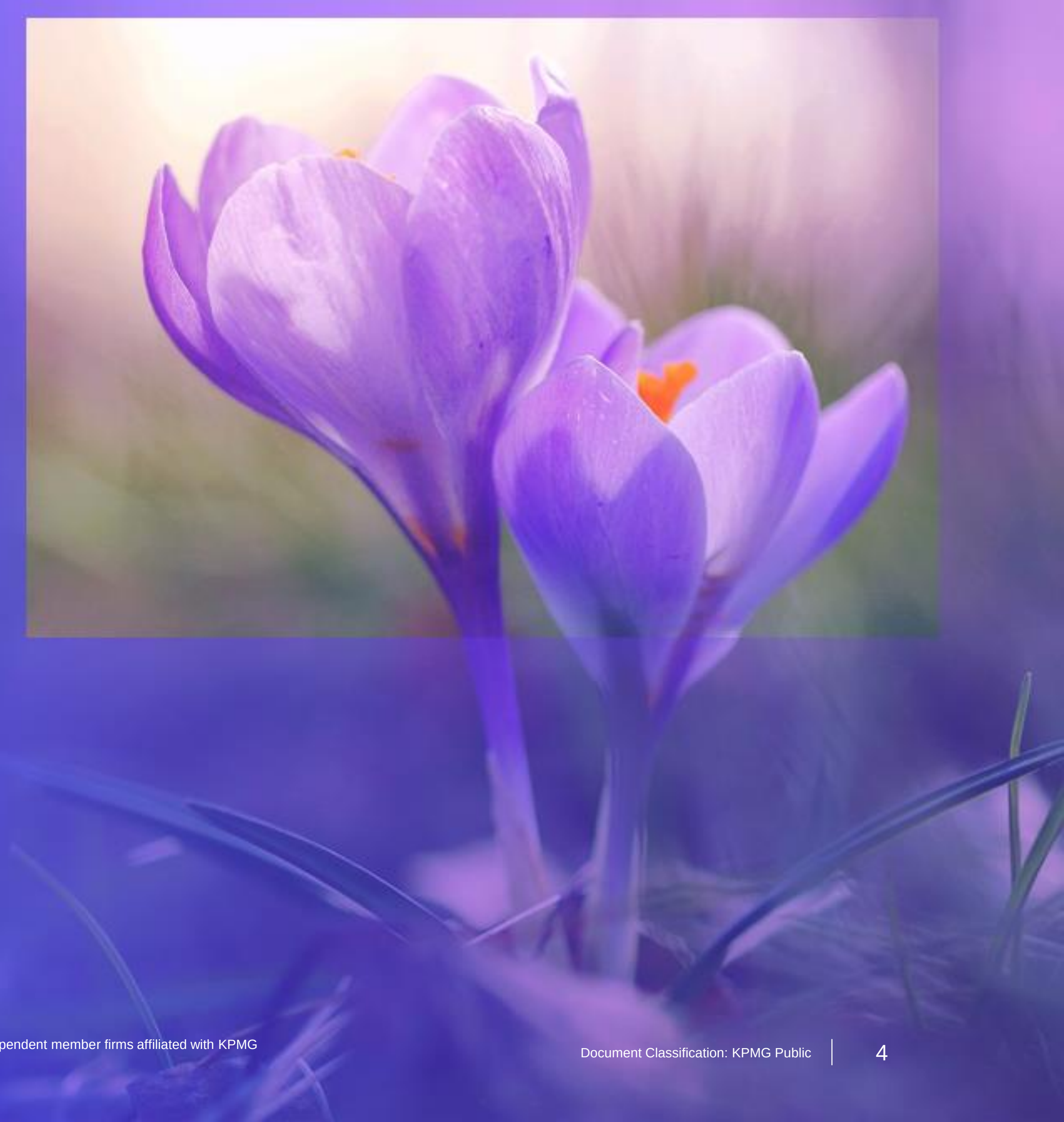
2023 **Budget Theme**

“Restoring and Sustaining Macroeconomic Stability and Resilience through Inclusive Growth & Value Addition”



Introduction

This year's budget is anchored on a seven-point agenda aimed at restoring macro-economic stability and accelerating economic transformation as articulated in the Post-COVID-19 Programme for Economic Growth (PC-PEG).

01 **Aggressively mobilize domestic revenue**

02 **Streamline and rationalise expenditures**

03 **Boost local productive capacity**

04 **Promote and diversify exports**

05 **Protect the poor and vulnerable**

06 **Expand digital and climate-responsive physical infrastructure**

07 **Implement structural and public sector reforms**

01

Executive Summary

Executive Summary

2022 Provisional Outturn

40.4%
Inflation as at October 2022

24.5%
Monetary Policy Rate as at October 2022

4.0%
GDP Growth Rate as at June 2022

Proportions of Interest Payments to Revenue & Expenditure for Q1-Q3 2022

49% of Total Revenue

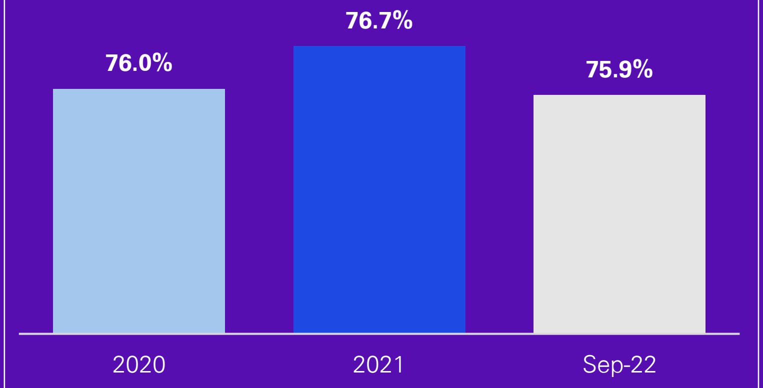
29% of Total Expenditure

GH¢ 49.1bn **Tax Revenue– Q3 2022**

GH¢ 11.0bn **Non-Tax Revenue – Q3 2022**

2.9 months
Import cover as at Q3 2022

Debt to GDP Ratio



Fiscal Developments for Q3 2022

GH¢ 65.4bn
Total Revenue & Grants

GH¢ 109.4bn
Total Expenditure

7.4%
Fiscal Deficit as at September 2022

Source: 2023 Budget Statement

Executive Summary

2023 Targets

2.8%

GDP Growth target for 2023

Fiscal Targets for 2023

GHȼ 144bn

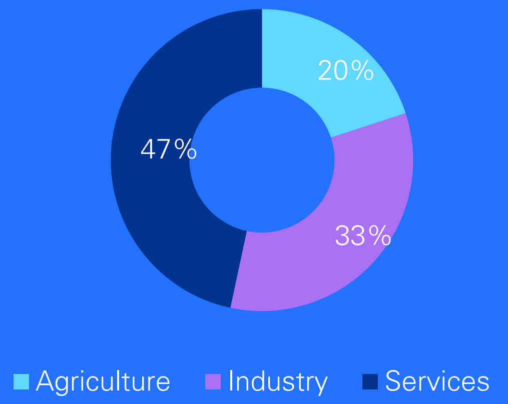
Total Revenue & Grants

GHȼ 205.4bn

Total Expenditure

Sectoral Distribution of Nominal GDP

The Services sector is expected to remain dominant in terms of sectoral distribution of nominal GDP in 2023.



Proportions of Interest Payments to Revenue & Expenditure in 2023

37%

of Total Revenue

26%

of Total Expenditure

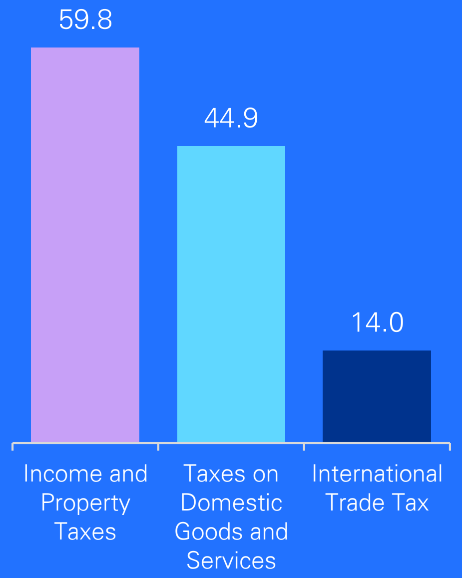
78%

Proportion of Tax Revenue to Total Revenue – 2023

16%

Proportion of Non-Tax Revenue to Total Revenue – 2023

Tax Revenue Breakdown (GHS bn)



7.7%

Fiscal Deficit target for 2023

18.9%

Inflation target for 2023

3.3 months

Import cover target for 2023

Source: 2023 Budget Statement

Executive Summary

Direct Taxes

01
Corporate Income Tax

- Increase the existing 1% temporary concessional rate for eligible entities to 5%.
- Implement a minimum chargeable income system.
- Convert the National Fiscal Stabilisation Levy (NFSL) to Growth and Sustainability Levy (GSL) to cover all entities.
- Provide a unified duration for Carry-Over of Tax Loss for all industries.
- Limit the deduction of foreign exchange losses to realised loss and ensure all realised foreign exchange losses of capital nature are capitalised.
- Introduce a tax on Gross Gaming Revenue to replace Corporate Income Tax and VAT on these activities.

02
Personal Income Tax

- Introduce an additional PAYE band of 35%.
- Review the upper limit of benefit-in-kind for vehicle element for PAYE purposes.
- Review the 15% optional rate for individuals on gains from the realisation of assets and liabilities.
- Provision of tax relief for early withdrawal from Provident Fund and Personal Pension Schemes for individuals who lose their jobs permanently or their capital due to the current economic crisis.

03
Withholding Tax (WHT)

- Introduce a separate WHT regime for gains on realisation of assets and liabilities.
- Introduce WHT on gaming winnings.

04
Vehicle Income Tax & Income Tax Stamp

- Review of the Vehicle Income Tax (VIT) Sticker and Income Tax Stamp rates.

Executive Summary

Indirect Taxes

01 Customs & Excise

- Implement the Customs Tariff with the 2022 version of the Harmonised Commodity Description and Coding System (HS Code).
- Introduce a self-clearance system for imports by individuals without the services of a Customs House Agent.
- Revise the taxation of cigarettes and tobacco products to align with ECOWAS protocols.
- Introduce excise tax on electronic smoking devices and liquids.
- Increase excise tax rate for spirits above that for beer.
- Full withdrawal of the existing benchmark discount policy on imported goods.
- Full implementation of Excise Tax Stamp on Textiles by end of first quarter 2023.

02 Value Added Tax (VAT)

- Increase the VAT rate by 2.5% from 12.5% to 15%.
- Review the registration threshold for VAT.
- Undertake major reforms with respect to VAT exemption.
- Full rollout of Electronic VAT Invoicing (E-VAT Invoicing) to Large Tax Payers (including listed companies).

03 Electronic Transfer Levy (E-Levy)

- Review the E-Levy rate from 1.5% to 1%.
- Removal of daily exemption threshold.

Non Tax and Other Revenue Measures

01 Non-Tax Revenue Measures

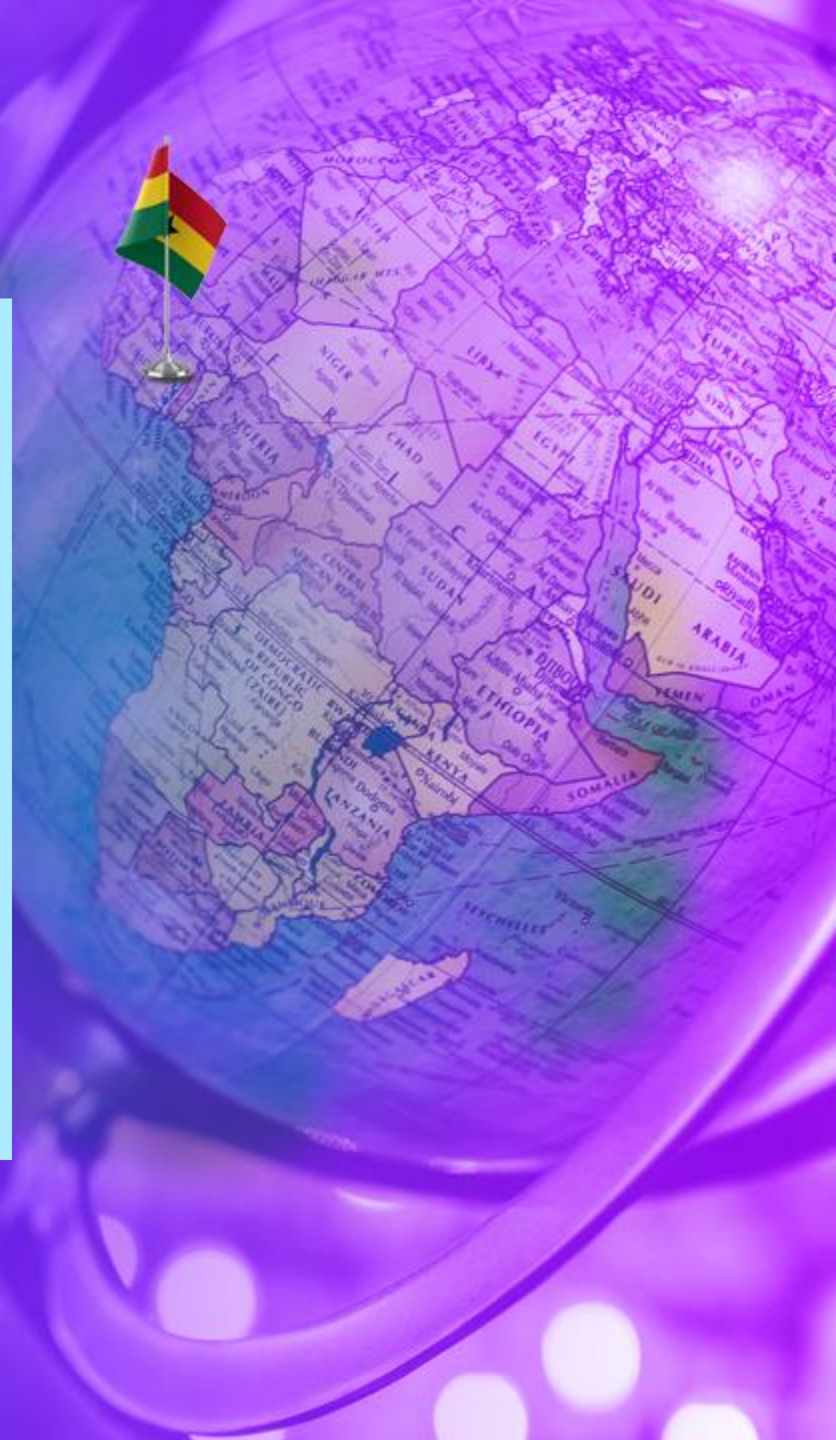
- Full roll-out of the Unified Common Platform for property rate administration.
- Re-introduction of road tolls on selected public roads and highways.
- Revenue Assurance and Compliance Enforcement (RACE) programme to focus on revenue from imported cargo.

02 Other Revenue and Administrative Measures

- Provide guidelines and procedures for full implementation of the Exemptions Act, 2022 (Act 1083).
- Institute a freeze on tax waivers for foreign companies.
- Review tax exemptions for companies in the free zone, mining, oil and gas sectors.
- Pursue Additional Oil Entitlement in relation to the Jubilee Field.
- Enhance administrative mechanisms to improve rent tax compliance.

02

Global Developments



Global Economic Developments & Outlook

Persistent inflationary pressures has prompted rapid monetary policy tightening measures by central banks across the world. Global GDP growth rate is projected to slow down from 6.0% in 2021 to 3.2% in 2022 and further contract to 2.7% in 2023. Global inflation is forecasted to rise from 4.7% in 2021 to 8.8% in 2022 but to decline to 6.5% in 2023 and to 4.1% by 2024.

NORTH AMERICA

- The Federal Reserve has increased the fed rate 6 times this year to tackle inflationary pressures.
- The dollar has appreciated against major currencies due to the tightening of the monetary policy in the US.
- Growth in the United States is projected to be 1.6% and 1.0% in 2022 and 2023 respectively.
- The contraction of the economy is due to declining disposable income and higher interest rates.

SUB-SAHARAN AFRICA

- Inflation in SSA is forecasted to be 14.4% and 11.9% in 2022 and 2023 respectively.
- Growth is expected to slow sharply due to tighter global financial conditions, and a dramatic pickup in global inflation.
- Growth in SSA has been revised downwards to 3.6% and 3.7% in 2022 and 2023 respectively. The region is experiencing a negative shift in commodity terms of trade, lower trading partner growth and tighter monetary conditions.

EUROPE

- The European Central Bank has ended net asset purchases and continues to raise interest rates.
- Growth in the Euro area is projected to be 3.1% in 2022 and 0.5% in 2023. The upward revision of growth (0.5%) in the third quarter of 2022 resulted from recovery of tourism-related services and industrial production in economies like Italy and Spain.
- The downward revision of growth in 2023 reflects spill over effects from the Russia-Ukraine war and impact of the Russian gas supply cuts on economies.

MIDDLE EAST, EMERGING & CENTRAL ASIA

- Growth in the Middle East and Central Asia is projected to be 5.0% in 2022 and moderate to 3.6% in 2023. The upward revision is due to the favourable outlook for the region's oil exporters and an unexpectedly mild impact of the war in Ukraine.
- Growth in Emerging Asia has been revised downwards to 4.4% and 4.9% in 2022 and 2023 respectively. Frequent lockdowns in China and the rapid weakening of its property sector has led to growth contraction.
- This would impact global trade and activity due to supply chain disruptions.

Sources: World Economic Outlook, IMF (October 2022), Forbes

Global Economic Developments & Outlook

COMMODITY PRICES

Prices of major commodities have been projected to fall in 2023 as growth contracts.

$100 per barrel

Crude Oil

Crude oil prices is projected to decline by 8% to average **$92** per barrel in 2023 and reduce further by 13% to **$80** per barrel in 2024.

$1,775 per ounce

Gold

Gold is projected to average **$1,700** per ounce in 2023 and **$1,650** in 2024.

6.8% Global cocoa production

Cocoa

Cocoa is forecasted to average **$2,350** per tonne in 2022. The outlook is for cocoa to average **$2,300** per tonne in 2023 and **$2,340** per tonne in 2024.

IMPLICATIONS FOR GHANA'S ECONOMY

- **Trade spill-overs** from other recovering economies and major export markets.
- **Revenue** increase resulting from exchange rate depreciation on forex-related inflows.
- **Average inflation** is expected to decline due to monetary policy tightening.
- **Policy rate adjustments** by the Central Bank is expected to tackle the persistent inflation.
- **Pharmaceutical sector boost** is expected from the local vaccine production.
- **Agriculture sector** growth would be affected by the contraction of the cocoa subsector.

$161bn Net ODA

Official Development Assistance (ODA) from official donors rose to an all-time high of USD 178.9 billion in 2021.

COP 27

An agreement was finally reached to establish and operationalise a new loss and damage fund.

FDI Inflows

FDI inflows to Africa hit a record $ 81 billion in 2021.

$4.5bn Remittances

Ghana was the second highest recipient of remittances in Sub-Saharan Africa in 2021.

Sources: World Bank, UNCTAD, OECD

03

The Economy

Macroeconomic snapshot

Macroeconomic Performance	2021 Outturn	2022 Revised Targets	2022 End Sept. Outturn	2023 Targets
Overall GDP Growth Rate	5.4%	3.7%	4.0% **	2.8%
Non Oil GDP Growth Rate	6.9%	4.3%	5.1% **	3.0%
End Period Inflation Rate	12.6%	28.5%	40.4%*	18.9%
Fiscal Deficit (% of GDP)	9.2%	6.6%	7.4%	7.7%
Primary Balance (% of GDP)	(1.9)%	0.4%	2.0%	0.7%
Import Cover (Number of months cover)	4.3	3.5	2.9	3.3

* As at October 2022
** As at Q2-2022

Source: Mid Year Budget Statement 2022, 2023 Budget Statement

Fiscal Developments for 2022

Total Revenues & Grants – GH¢ 65.4 billion

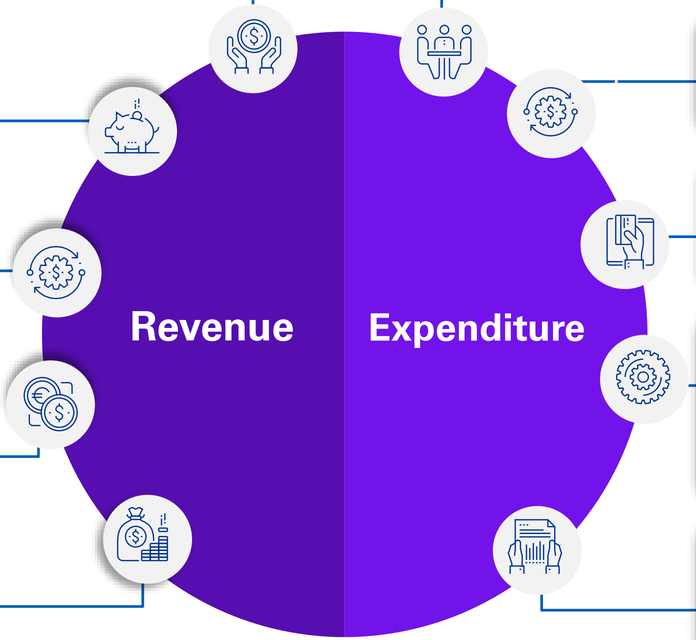
Tax Revenue (Net of refunds) – GH¢ 49.1 billion
- Taxes on Income and Property: *GH¢ 24.8 billion*
- Taxes on Domestic Goods and Services: *GH¢ 20.9 billion*
- International Trade Taxes: *GH¢ 6.2 billion*
- Tax refunds: (*GH¢ 2.8 billion*)

Social Contributions – GH¢ 280 million
- 45% below 2022 target of GH¢ 511 million

Non tax revenue – GH¢ 11 billion
- Representing 1.2% of GDP

Other Revenue – GH¢ 4.2 billion
- This is made up of SSNIT contribution to NHIL and proceeds from the Energy Sector Levies, representing 0.7% of GDP

Grants – GH¢ 797 million
- This represents Project Grants



Total Expenditure – GH¢ 109.4 billion

(incl. arrears clearance of GH¢ 9.9 billion)

Compensation of Employees – GH¢ 27.1 billion
- Wages & Salaries constitutes ~ *91%*
- Social Contributions ~ *9%*

Use of Goods and Services – GH¢ 4.2 billion
- Representing 0.7%of GDP

Interest Payments – GH¢ 32.1 billion
- Domestic: GH¢ 25.1 billion ~ 78%
- External: GH¢ 7 billion ~ 22%

Subsidies, Social Benefits etc. – GH¢ 25.2 billion
- GH¢ 167 million for Subsidies
- GH¢ 374 million for Social Benefits
- GH¢ 7.1 billion for Other Expenditure
- GH¢ 17.6 billion for Grants to Other Government Units

Capital Expenditure – GH¢ 10.9 billion
- Domestic financed ~ *15%*
- External financed ~ *85%*

✓ Total government revenue and grants of **GH¢ 65.4 billion** represents **11%** of GDP for January to September 2022. This is driven mainly by taxes on income and property (~37.9% of total revenue and grants) as well as taxes on domestic goods and services (~32% of total revenue).

✓ Total expenditure (incl. arrears) of **GH¢ 109.4 billion** for the same period represents **18.5%** of GDP.

✓ There was an overall budget deficit of **GH¢ 44 billion (7.4% of GDP)** against a programmed deficit **of GH¢ 36.7 billion (6.2% of GDP) for January to September 2022**. This is as a result of shortfalls in revenue and faster execution of expenditures.

Sources: 2023 Budget Statement

Public Debt

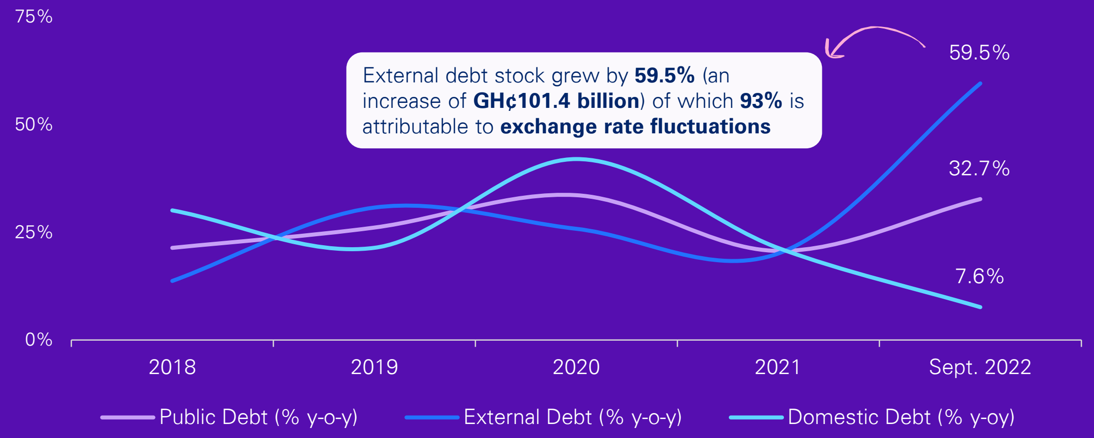
Public Debt Trajectory

- The provisional gross value of Ghana's public debt stock as at end-September 2022 stood at approximately GH¢467.4 billion, representing 75.9% of GDP. This was up from GH¢352.1 billion at the end of December 2021. The increase in the debt stock is mainly attributable to exogenous factors which resulted in rising interest cost and depreciation of the local currency.
- As at the end of September 2022, depreciation of the Ghana Cedi added about GH¢93.9 billion to the external debt stock compared to transaction effect of approximately GH¢7.5 billion. This increased the proportion of external debt stock to 58.1% of total public debt, up from 48.4% reported in 2021. The gross value of domestic debt also stood at approximately GH¢195.7 billion, representing 41.9% of the total debt stock. Comparatively, the domestic portion of the debt mix was lower than 2021 which was reported to be 51.6%.
- Despite the rising trend in the total debt stock, the commencement of the IMF programme may increase investor confidence, cushion the performance of cedi and ensure fiscal discipline. This, in turn, can control the upward movement of the debt stock.

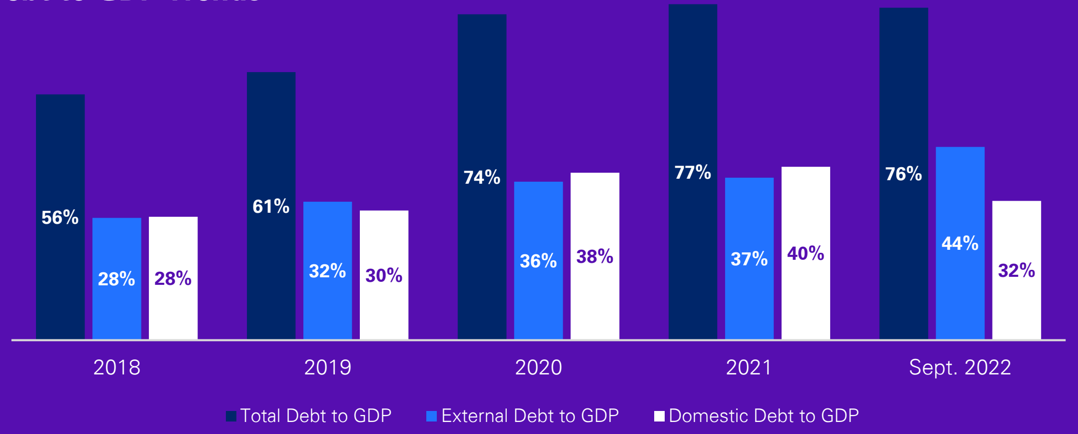
Credit Ratings in 2022

Caa2	CC	CCC+/C
Moody's Rating Oct. 2022	**Fitch Rating Sep. 2022**	**S&P Rating Aug. 2022**

Growth Trends in Public Debt



Debt to GDP Trends



NB: Percentages may not add up due to rounding

Sources: 2023 Budget Statement

Monetary Sector

- In October 2022, inflation increased to 40.4%, up from 37.2% in September and 33.9% in August 2022. The rise in prices was fuelled by rising global crude oil prices and the cedi's depreciation. As a result, transportation costs rose, putting a strain on the consumer basket of food and non-food items.

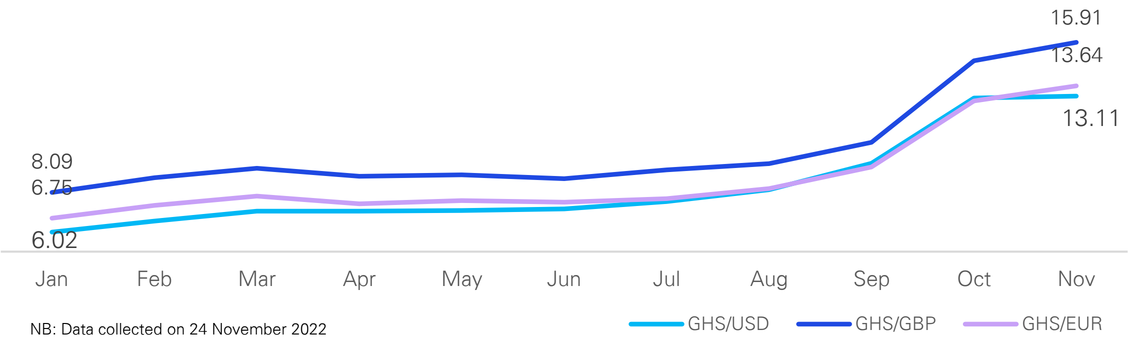
- In order to reduce pressures on aggregate demand, the Bank of Ghana's Monetary Policy Committee (MPC) increased the Monetary Policy Rate (MPR) from 14.5% as at the beginning of the year to 24.5% in October 2022. The 1,000 basis point increase was intended to tighten liquidity conditions in the banking industry, resulting in an increase in the weighted average interbank rate to 23.98% in October 2022, up from 12.66% in October 2021.

- The changes in the interbank market caused the average bank lending rate to rise from 20.34% in October 2021 to 31.40% in October 2022.

- On the foreign exchange market, the cedi fell by 53.8% against the US Dollar, 45.7% against the Pound Sterling, and 46.9% against the Euro. The weakening of the local currency's value was due to tremendous pressures from both internal and external forces. These factors include tightening global financing conditions, the sovereign downgrades and restricted access to markets as well as heightened demand pressures for foreign currency amid supply shortages.

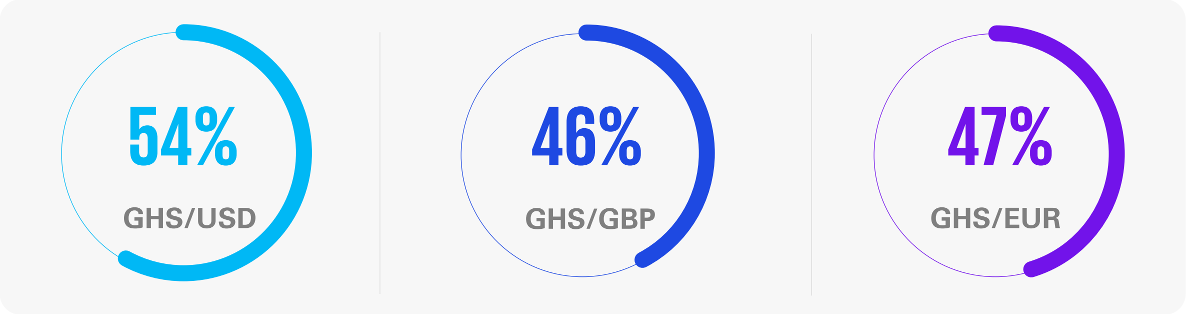
Source: Ministry of Finance 2023 Budget Statement, Bank of Ghana

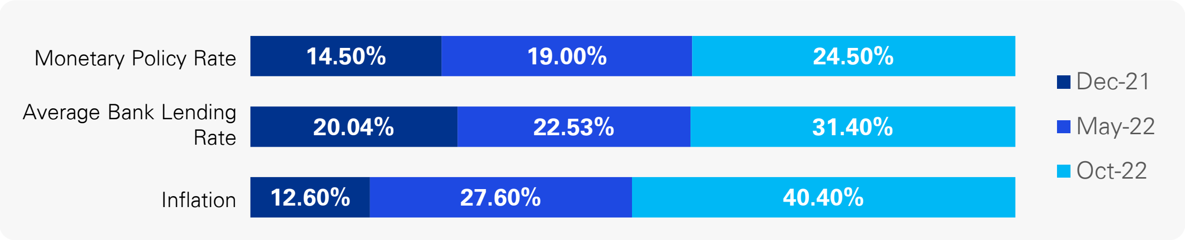
Historical Foreign Exchange Rate Trend



NB: Data collected on 24 November 2022

Depreciation Rates (October 2022)





Real sector performance

Services

46.2%

share of GDP as at 2022 H1*

5.4%

Industry

32.1%

share of GDP as at 2022 H1

1.8%

Agriculture

21.7%

share of GDP as at 2022 H1

4.9%

The services sector remained the sector with the largest share of GDP. Although the sector recorded a significant decline of about 2.6% compared to the first half of 2021, it recorded the highest growth rate of 5.4% in the first half of 2022. The information and communication sub-sector leads the services sub-sector, recording the highest growth rate of 20.3%. Other key subsectors such as hotels and restaurants, financial services and insurance activities and education also experienced significant growth in 2022 H1 compared to 2021 H1. The real estate subsector, however, contracted by -5% in H1 2022 compared to its 13.3% growth rate in H1 2021 primarily due to spikes in the cost of building materials. Administrative and support service activities also contracted by -11.5% in the same period.

The industry sector showed significant recovery in 2022 H1 compared to its negative growth rate of 3.1% in 2021 H1. The manufacturing subsector recorded the highest growth rate of 4.8%. The mining and quarrying subsector recovered after recording a contraction of 17.9% in 2021 H1 compared to a growth rate of 0.6% in 2022 H1. The recovery was fuelled by increased oil and mineral production, predominantly gold.

Although the agriculture sector recorded the second highest growth rate of 4.9% in the first half of 2022, its growth rate dropped significantly in the second quarter of 2022 to 4.6% from 11.9% in 2021. Forestry and logging was the only subsector to record an average contraction of about 0.4% over the period. The fishing subsector exhibited significant improvement from its negative growth rate of 0.1% in 2021 H1 to recording the highest growth rate of 15.9% in 2022 H1.

* H1 – First Half

Growth rate

Source: Ministry of Finance Statement 2023

04

ESG

ESG and Sustainability

The pace of integrating environmental, social and governance (ESG) factors into policy decisions has become an imperative for businesses and governments across the world. A nation's stewardship towards its environmental, social and governance (ESG) factors is having major implications on its perceived creditworthiness for their debts and issuances. The Government of Ghana in the 2023 budget has highlighted a number of initiatives that have been completed and others that will start within the year. Government is gradually setting a blue print for ESG through various regulatory authorities including the recent launch of an ESG manual by the GSE. Below are some key developments in the ESG space and how they are impacting governments and businesses globally.

A Legacy of Leadership

Across the world, governments have a long history of leading efforts to improve what we now call ESG issues; setting green standards, defining social programmes, establishing reporting metrics and other achievements.

Having developed the first SDGs country financing roadmap and other initiatives, Ghana has the opportunity to drive more positive changes.

Sovereign Credit Risk Rating

Today, the impact of ESG is far and wide and has the potential of impacting the sovereign credit risk assessments of countries. Major factors specific to a nation's wealth and management of ESG risks and opportunities are being given increasing weights by international credit rating agencies.

Notable Global ESG Trends

- The UK's Financial Conduct Authority is set to develop a standardised code of conduct for ESG data and ratings providers.
- COP27: Breakthrough on landmark deal to fund poorer countries' response to climate change-related losses and damage.
- The International Sustainability Standards Board (ISSB) aims to complete its global baseline standards for ESG reporting by the end of 2022.

In September 2022

Moodys CIS-4 ↓ 5[+] **Fitch**

Global rating agencies cited weak ESG Credit Impact Score as key drivers for downgrading Ghana's long-term issuer rating to 'Caa2' and 'CC' respectively.

Key Issues Cited:

- Agriculture sector exposure to climate risks and droughts
- Water management risks
- Weak institutions and access to basic services
- Constraints on social programmes from fiscal challenges.

ESG and Sustainability

The government's initiatives below seek to improve Ghana's ESG credentials globally. Successful implementation of these will have positive consequential impacts on our environment and society as a whole. Government need to intensify public awareness and sensitization to drive the entire populace along.

01 Environmental

Addressing Climate Change

- Ghana lost US$15.20 billion (2000 – 2019) due to climate change.
- The National Carbon Credit Framework has been developed with a carbon registry system to support managing carbon credits.
- Minerals Commission launched 65 community mining schemes in 8 districts.
- The NAELP programme achieved the following:
  - 645ha of degraded lands reforested
  - 20 million economic seedlings nursed for the plantation development programme

In 2023:

- Forestry Commission to develop 25,000ha of forest plantations.
- NAELP to stabilise 1000ha of degraded lands and nurse 1 million trees.
- Pilot incentive payment system for e-waste collection at Agbogbloshie.

02 Social

Social Welfare Gains

- National Health Insurance claims management enhanced by the electronic system.
- LEAP beneficiaries increased to 1,827,035 individuals with 76% enrolled onto the (NHIS).
- Over 82,371 permanent and casual rural jobs created under NAELP.
- 15,025 farmers benefited from land restoration technologies and practices.

In 2023:

- Rural agricultural investments to be supported by the Green Finance Initiative (IGREENFIN).
- NHIA enrolment expected to increase to 20.3m by end December 2023.
- LEAP coverage to be expanded to all 2.5m extreme poor individuals by 2024.

03 Governance

Responsible Business

- The GSE has established a sustainability-themed bonds market with the Ghana Fixed Income Market (GFIM) rules.
- GSE has launched its ESG reporting guidelines for listed entities.

05

Tax & Non Tax Revenue Initiatives

Proposed Tax Initiatives & Revenue Measures

Budget Proposal

Tax Revenue Measures

1. Direct Tax Measures (1/3)

❑ **Introduce an additional PAYE tax band with a tax rate of 35%**

- Government has proposed an additional income tax bracket with a tax rate of 35% to be imposed on high income earners. This is in line with the progressive principle of taxation and is intended to enhance revenue mobilisation for government.

❑ **Review the upper limits for vehicle element for PAYE purposes**

- The existing vehicle element limits used in ascertaining the Benefits-in-Kind (BIK) for purposes of individual income taxes do not meet current market rates due to inflationary pressures. Thus, government is proposing a review of the current upper limits to reflect current trends.

❑ **Introduce a withholding tax (WHT) regime for gains on realisation of assets and liabilities**

- Government intends to introduce a separate withholding tax regime for gains on the realisation of capital assets and liabilities to counteract the revenue losses arising from the difficulty in identifying capital gains for tax purposes.

❑ **Review the 15% optional rate for individuals on realisation of assets**

- Government proposes to review the existing 15% optional rate for individuals on realisation of assets.

Our Point of View

- Reviewing the benefit-in-kind mechanism (through the vehicle element limit) offers a broader tax base for government to enhance revenue from employment income tax. The likely implication is employees who enjoy these benefit will be exposed to pay more tax.
- The proposal to introduce an additional PAYE band of 35% may yield increased tax revenue for government. This follows the progressive principle of taxation. However, considering the current economic situation where cost of living is very high, it is, important to consider the impact of this on the disposable income of employees and the cascading effect on their spending capacity as well as support for their dependants.
- The introduction of a separate withholding tax rate for gains on realisation of assets and liabilities has the potential of expanding the tax net. The GRA should be able to track and trace persons who dispose off assets using the WHT tax return information and collect the additional tax following the withholding.

Proposed Tax Initiatives & Revenue Measures

Budget Proposal

Tax Revenue Measures

1. Direct Tax Measures (2/3)

❑ Increase the existing 1% concessional to 5%

- Government plans to increase the existing concessional rate from 1% to 5% to enhance the revenue base.

❑ Implement a minimum chargeable income system

- The introduction of a minimum chargeable income system for corporate entities.

❑ Convert the National Fiscal Stabilisation Levy (NFSL) into a Growth and Sustainability Levy (GSL) to cover all other sectors

Government to expand the scope of NFSL by introducing GSL to cover other sectors of the economy. Government groups the sectors into three (3) main categories namely:

- Category A entities comprising those who are currently paying NFSL and six additional sectors will have a GSL rate of 5%.
- Category B entities comprising all other entities (except for the extractive sector) will have a GSL rate of 2.5%.
- Category C entities comprising extractive sector entities will have a GSL rate of 1% of production.

Our Point of View

- The implementation of a minimum chargeable income system will ensure contribution of corporate tax by all corporate entities. Government, must however, consider exemptions and reliefs for some categories of businesses, for instance start ups could be exempted in the first three to fours years of operation. This is to ensure that new businesses are not unduly exposed to higher tax burdens at the investment phase.
- Broadening the scope of the NSFL to include all businesses has the potential of enhancing government tax revenue. However, businesses with stability clauses and modified tax agreements may not be impacted as they are protected from new tax in their agreements. It is evident that by this introduction, effective corporate tax rate would increase from about 27% to 36%. Does this make Ghana competitive in the sub-region and what would be signal to the investment community?

Proposed Tax Initiatives & Revenue Measures

Budget Proposal

Tax Revenue Measures

1. Direct Tax Measures (3/3)

❑ **Unifying the existing Carry-Over of Tax Loss provisions in the Income Tax Act 896**

- Government is proposing a unified period of carry over of tax loss to streamline the administration of the carry over provision.

❑ **Deductibility of Foreign Exchange Losses**

Government is proposing to:

- Limit the deductibility of foreign exchange losses to only realised losses.
- Restrict exchange losses on capital assets to be capitalised other than deducted in the year in which they are incurred.

❑ **Reforms to taxation of the Gaming industry**

Government is proposing to introduce:

- Tax on Gross Gaming Revenue to replace Corporate Income Tax and VAT.
- Withholding tax on winnings.

❑ **Waiver of tax on withdrawals from 3rd Tier Provident Funds and personal pension schemes**

- Government is proposing to waive taxes on withdrawals from Tier 3 provident finds and personal pension schemes for persons who have permanently lost their jobs or capital due to the current economic crisis.

❑ **Review of the Vehicle Income Tax (VIT) Sticker and Income Tax Stamp rates in 2023**

- Government to review the VIT and Income Tax Stamp to enhance its competitiveness.

Our Point of View

- The proposed introduction of limitation of tax deductions to realised foreign exchange losses and capitalisation of foreign exchange losses incurred on capital assets will only defer their deductions into the future. The challenge with this approach is the evidence of realisation the GRA will seek during tax audits. This is synonymous with the position under Act 592 as repealed. To ensure effective implementation, the following should be considered:
  I. A stakeholder consultation to discuss the implication of this change and agree what realised exchange losses are.
  II. A definition of realised exchange losses with exceptions in years where the country goes through high currency depreciation.
- It is heartening to see government consider the plight of employees and self employed persons in the current economic crisis by granting relief to individuals in connections with withdrawals from their 3rd Tier Provident Fund contributions under certain economic circumstances.
- Consultation with the GPRTU and the general public must start early before review of the VIT are completed.

Proposed Tax Initiatives & Revenue Measures

Budget Proposal

Tax Revenue Measures

2. Indirect Tax Measures (1/2)

❑ **Increase in Value Added Tax (VAT) rate**

- Government proposes to increase the existing VAT rate on standard-rated supplies from 12.5% to 15%.

❑ **Review existing VAT registration threshold under VAT Act 870**

- Government is proposing a review of the existing VAT registration threshold of GHS200,000 (per annum).

❑ **Review E-Levy rate from 1.5% to 1%**

- Government intends to reduce the existing E-Levy rate from 1.5% to 1% to increase the patronage of mobile money transactions and enhance government's revenue mobilisation drive from E-Levy.
- Government also proposes to remove the daily threshold; as well as review and revise other exclusions.

❑ **Introduce major reforms in connection with VAT exemptions**

- Government is proposing a general review of the VAT exemption regime.

❑ **Full rollout of Electronic VAT Invoicing (E-VAT Invoicing) to Large Tax Payers (including listed companies).**

Our Point of View

- The imposition of an additional 2.5% VAT on standard-rated supplies would impact cost of doing business, moving effective VAT rate from 19.25% to 21.90%. This additional cost is most likely to be passed on to consumers. In these difficult times, increasing VAT will worsen the plight of taxpayers, leaving them with little disposal income. Government should focus more on compliance measures to ensure that those outside the tax net are brought in. For instance the recent VAT invigilation initiative was reported by the Commissioner-General to have yielded about 1,700% increase in revenue for a period. These initiatives should be encouraged.
- Reducing the e-levy to 1% is a great idea but removing the threshold may wipe off the effective impact of the reduction. The situation of the vulnerable who were being protected when the law was passed has even become worse because of the current economic hardship. Government must reconsider the removal of the threshold. Other areas government could consider is to place a cap on the levy based on a defined transaction threshold and consider other proposals for review of the exclusions under the levy to further enhance usage of digital payment platforms.

Proposed Tax Initiatives & Revenue Measures

Budget Proposal

Tax Revenue Measures

2. Indirect Tax Measures (2/2)

- **Implement Customs Tariff with the 2022 version of the Harmonised Commodity Description and Coding System (HS Code)** to enhance uniformity of trade within the region.
- **Revise the taxation of cigarettes and tobacco products to align with ECOWAS protocols.**
- **Introduce excise tax on products such as electronic smoking devices and liquids.**
- **Increase excise tax rate for spirits above that of beer.**
- **Full withdrawal of the existing benchmark discount policy on imported goods in 2023.**
- **Full implementation of Excise Tax Stamp on Textiles by end of first quarter 2023.**

Our Point of View

There have been several discussions on the full restoration or withdrawal of the benchmark values. While others are of the view that withdrawal would make imports expensive and thus increase prices, it is also expected that withdrawal of the policy would boost local production to support our local industries. To be successful with this policy, Government should engage all stakeholders to reach a pragmatic consensus.

Proposed Non-Tax Initiatives & Revenue Measures

Budget Proposal

Non-Tax Revenue Measures

❑ Full roll-out of the Unified Common Platform for property rate administration

- Government plans to begin the implementation of the Unified Common Platform for property rate in January 2023.

❑ Re-introduce road tolls

- Government has proposed the reintroduction of road tolls on selected highways in the country. Government intends to adopt technology in the administration of road tolls to reduce revenue leakages and inefficiencies.

❑ Revenue Assurance and Compliance Enforcement (RACE) programme to focus on revenue from imported cargo

- Government plans to intensify assurance on the details of imported cargo on ICUMS to ascertain its consistency with other sources of information on commercially imported cargo, uncleared and overstayed cargo to ensure compliance with customs processes.

Our Point of View

The proposed implementation of the common platform for property rate administration in January 2023 will help streamline the collection of property rates. This will assist government to meet its' medium term non-tax revenue target. However, it is worth noting that, for the unified common platform to work effectively, there should be an improvement in the current process of property registration for ease of identification and valuation of properties.

Proposed Non-Tax Initiatives & Revenue Measures

Budget Proposal

Other Revenue Compliance & Administration Measures

❑ Introduce guidelines and procedures for full implementation of the Exemptions Act, 2022 (Act 1083)

- Government plans to issue administrative guidelines for the implementation of the Exemptions Act in 2023.

❑ Review of tax waivers and exemptions

Government plans to:

- Freeze tax waivers for foreign companies.
- Review tax exemptions for free zone entities, mining, and oil and gas companies in 2023.

❑ Provide a system for self-clearing of goods by importers at the ports of entry without recourse to a customs house agent

- Amendment of the Customs Regulations, 2016 (L.I. 2258) to provide for a self-clearing system, that allows importers to clear goods without recourse to a customs house agent.

❑ Pursue Additional Oil Entitlement (AOE)

- Additional revenue measures proposed for implementation as part of the fiscal consolidation programme includes the pursuit of Additional Oil Entitlement (AOE) in relation to the Jubilee Field.

❑ Enhancing administration mechanisms to improve rent tax compliance.

Our Point of View

The enactment of the exemption act is considered as one of the keys to managing government tax expenditure. It is imperative that the administrative guidelines are issued to ensure a smooth implementation.

AOE has been part of most our petroleum agreements and therefore ensuring their effective implementation would be in the right direction. With the increased global oil prices, a period assessment of such impacts on our local operations and the cascading effect on oil revenue, if any is imperative in our revenue mobilisation drive.

06

Expenditure Initiatives

Expenditure Management Measures

Government, as part of its cost cutting measures, has outlined a number of actions to reduce public expenditure. The following initiatives have been proposed by Government to limit public spending:

- Migrate all earmarked funds unto the Ghana Integrated Financial Management Information System (GIFMIS) platforms and ensure all government agencies use the GIFMIS platform to record all their revenue and process expenditures transactions to minimise expenditure inefficiencies.
- Cap salary adjustment of State Owned Enterprises (SOEs) to be lower than negotiated base pay increase on Single Spine Salary Structure for each year.
- Ban the use of V8s or its equivalent except for cross country travel. All government vehicles would have to use GV number plates from January 2023.
- Allow only essential official foreign travel across government, including SOEs. There will be no official foreign travel for board members of SOEs. Accordingly, all government institutions shall submit a travel plan for the year 2023 by mid-December.
- Placement of moratorium on the creation of new government agencies in 2023.
- Discontinue the use of public funds for the purchase and distribution of gift hampers in 2022.
- Only items specified in approved Metropolitan, Municipal and District Assemblies (MMDAs') Procurement Plans posted on the PPA website can be considered for procurement contracts.
- No public official must sign any MOU or agreement that commits the Government of Ghana financially without prior approval or clearance from the Minister responsible for Finance.
- All procurement approvals by the Public Procurement Authority (PPA), the Central Tender Review Committee (CTRC) and the Entity Tender Committees (ETCs) relating to a particular fiscal year must be backed by budgetary allocations approved for that year.
- Introduce financial clearance for the enrolment into teacher and nursing training institutions to manage the training intake into the two sectors.
- Review the management of financial clearance to among others:
  - Reflect a net zero hiring impact,
  - Be supported by a fiscal impact analysis which shows a net zero fiscal impact, and
  - Control hiring into Education and Health sectors.as part of measures to control hiring into the public service.

07

Sector Initiatives

Trade and Industry

Budget Proposal

❑ Vehicle Assembly and Automotive Industry

- Government envisages three global automotive brands Hyundai, Changan, and Isuzu to establish assembling facilities in 2023.
- The first phase of the Automotive Development Center will be operational in 2023. The Automotive Development Council Bill has also been finalised and will be submitted to Parliament for approval.
- In addition to the Automotive Assembly Programme, Government will also launch and commence the implementation of the Components Manufacturing Policy in 2023. This Policy seeks to support the production and supply of components and spare parts for the automotive industry.

❑ Strategic Anchor Industries Initiatives

- As part of measures to provide support for Micro, Small and Medium Enterprises (MSMEs), the Government will launch 30 more Business Resource Centers (BRCs) to provide business development services to MSMEs in their respective operational zones.
- Ghana Enterprises Agency (GEA) will facilitate the creation of about 60,000 jobs through the provision of business development service and provide support for 10,000 MSMEs to access affordable credit to expand their businesses.
- The Ministry of Trade will also complete the Textile and Garment Manufacturing and the Pharmaceutical Manufacturing Policies for implementation.
- GRATIS Foundation (GRATIS) is operationalising five new Technology Solution Centers (TSCs) to provide product innovation and technology services to industries across the country. Thus, GRATIS and the existing network of 36 TSCs are being strengthened to support operators in the light engineering sector.

Our Point of View

- Government's efforts towards development of the automotive industry will enhance job creation and promote local content participation through the local manufacture of the components, parts and accessories. More efforts should be geared towards creating employment across the value chain.
- Additionally, given the depreciation of the cedi, the production of components and spare parts in Ghana will help reduce cost by eliminating the high cost of importing parts and components needed for assembling these vehicles. Government should consider instituting a capacity building plan in collaboration with TVET and tertiary technical educational institutions to provide the youth with the skills to obtain sustainable jobs in the sector.

Trade and Industry

Budget Proposal

Trade Development Programme

- Ghana Export Promotion Authority (GEPA) will continue to implement the National Export Development Strategy to boost exports and harness market opportunities including the AfCFTA.
- Expansion of products under the AfCFTA Guided Trade Initiative (GTI) to include ninety-six (96) more products, and a yearly review of the Initiative to expand the list of countries.
- Government will support 135 local companies to take advantage of opportunities available under AfCFTA.
- Government also intends to extend the Import Adjustment Tax (IAT) for the next five (5) years to allow member states to recover from the effects of COVID-19 and other prevailing economic difficulties.
- Government will continue to strengthen Ghana International Trade Commission (GITC) to provide trade remedies to local manufacturers within the framework of World Trade Organization (WTO) rules.

The Standards Conformity and Assessment Programme

- Ghana Standards Authority (GSA) to enhance market surveillance activities to reduce the influx of sub-standard imported products on the domestic market.
- The Ghana Accreditation Service Bill will also be finalised for approval and implementation.

Our Point of View

- Successive governments have prioritised the evolution of the structure of Ghana's economy from import led to and export driven. Non traditional exports have a significant role to play in the achievement of this national objective. The AfCFTA and the other trade treaties that Ghana is signatory to, provide opportunities for Ghanaian businesses to access new markets and generate foreign exchange to shore up Ghana's balance of payments position.

- In this light, GEPA's effective implementation of the National Export Development Strategy is an essential pillar for Ghana's macro economic stability. It is therefore imperative that GEPA collaborates with and coordinates capacity building and market access programmes with other state actors, development partners and the private sector entities for broad based impact.

Transportation

Budget Proposal

❑ Establishment of a Home-based Carrier

The Government has concluded the Shareholders and Partnership Agreements with the selected Strategic Partner for the Home-Based Carrier. The airline which will be known as "GhanaAirlines" is expected to be operationalised in 2023.

❑ Planned projects in Aviation Management Programmes

- The Tamale Airport has been completed and undergoing Operational Readiness and Transfer (ORAT).
- The draft feasibility report on the Central/Western Region Airport has been submitted and undergoing stakeholder engagement.
- Government will commence the construction of Phase II of the Sunyani Airport in 2023.

❑ Plan Projects Railway Projects

- Government intends to complete and operate the 22km Kojokrom-Manso section of the Western Railway Line and the 97.97km Tema-Mpakadan Railway Line in 2023. These will be the first standard gauge railway lines to be operated in Ghana.
- Government expects to make significant progress with the construction of the Adum to Kaase railway line in 2023.

Our Point of View

- Despite the adverse impact of COVID-19 on the Aviation sector, the current decrease in cases and the widespread of vaccinations around the world is expected to gradually pick up global travel and thus, having a home-based carrier may prove to be beneficial to the economy in the long-run. However, there will be the need for clear policies on governance and effective management for success.
- In addition, considering the effect of rising energy prices, increasing cost of living and their constraining impact on the travel industry, government should consider the timing of the introduction of the national carrier in these conditions and ensure that it has a strong value proposition to support the sustainability of the airline as a viable business.
- While these planned projects would improve air connectivity, boost trade and tourism, the Government would need to assess the funding requirements given the current economic crisis and the competing needs for funds for other projects.

Energy and Natural Resources

Budget Proposal

Mineral Resources Development and Management Programme

- The Minerals Commission to acquire additional marine vessels and recruit additional 200 trained river wardens to patrol river bodies and ensure illegal miners who are evicted by the military do not return.
- Government through the Commission will continue to roll out more community mining schemes in the mining communities to encourage responsible and sustainable small-scale mining.
- The Minerals Commission to increase the number of items on the mining procurement list from 41 to 50.
- The Minerals Commission would continue to reclaim more degraded mine sites and maintain its online cadastral system.
- In a bid to expand the Alternative Livelihood Programme (ALP), the Minerals Commission would continue to procure and distribute additional hybrid oil-palm seedlings to beneficiary farmers in yet to be covered areas.
- Ghana Integrated Aluminium Development Corporation (GIADEC) will focus on delivering the mine and refinery solution project and the VALCO retrofit project, as defined under the Integrated Aluminium Industry masterplan.

New Local Content Regulations

- The Ghana Stock Exchange and the Minerals Commission are working together on the new local content regulations that would require mining businesses with a specified minimum capital to list on the Exchange. The local content policy would increase local investor participation in mining companies.

Our Point of View

- The negative impact of illegal mining on the water bodies has been well documented. The Commission's initiative to expand surveillance and protect water bodies is a step in the right direction. River wardens should be provided with the requisite logistical support to enhance effective execution of their duties. However, Government needs to ensure the punitive measures in place for illegal mining activities are fully enforced by the appropriate institutions to achieve the objectives of this initiative.
- A successful roll out of additional community mining schemes would help create more direct and indirect jobs in the mining industry. The scheme should further provide necessary guidelines and offer periodic training programmes on responsible and sustainable mining for the small scale miners.
- The expanded ALP programme to other areas is expected to generate more jobs and minimise illegal mining activities. The Government needs to ensure that the necessary support and structures are put in place to encourage and attract more farmers onto the programme. The Commission in conjunction with other relevant authorities such as the Ministry of Agriculture should also have a pragmatic long term plan that would enable the farmers harness the full benefits of the oil palm value chain.
- The minimum capital requirement to be proposed should encourage increased local investor participation in the mining industry. The policy should provide for requisite incentives to promote increased participation of locals in the industry. Government may also leverage on experiences from countries that have embarked on similar programmes.

Energy and Natural Resources

Budget Proposal

Power Sector Development and Management Programme

- The Ministry of Energy is committed to the relocation of the 250MW Ameri Power Plant to Kumasi with the aim of improving supply reliability to reduce losses in the middle and northern parts of the national grid.
- The Ministry of Energy, in collaboration with Electricity Company of Ghana, to undertake the Distribution Networks Improvement and Expansion Project in selected districts across the country.
- The Ministry of Energy to finalise preparations towards the Accra-Kumasi transmission line, the Western Corridor Transmission Upgrade Project as well as support the "Government Goes Solar" project for implementation.
- The Ministry of Energy to connect additional 400 towns under the SHEP-4, SHEP-5 and Turnkey Projects. This includes electrification in selected communities in Ahafo, Ashanti, Bono, Northern, and Upper East Regions.
- The Ministry to support the implementation of the Agenda 111 Hospital Infrastructure Programme by providing power to the construction sites.

Renewable and Alternative Energy Development Programme

- The Ministry of Energy to distribute 5,000 units of solar lanterns to rural and peri-urban communities at a subsidised price, as part of efforts to promote clean lighting.
- The Ministry to supply additional cookstoves 137,253 as part of the Improved Charcoal Cookstove programme.

Our Point of View

- Improving and expanding the distribution networks would help enhance the quality and reliability of electricity supply to meet increasing demand. Nevertheless, consideration should be given to implementing a cost reflective tariff structure to ease the build up of energy sector debt as capacity and coverage are extended.
- The Improved Charcoal Cook Stoves Distribution Programme can help address the exposure of women and children to carbon monoxide emissions from the use of wood fuel for cooking as well as reduce deforestation. However, it is important that the cook stoves are tested and quality assured by the relevant agencies for safety and energy efficiency.

Energy and Natural Resources

Budget Proposal

❑ Petroleum Sector Development and Management Programme

- The Ministry of Energy is continually making efforts to ensure that at least 50 percent of Ghanaians have access to safe, clean and environmentally friendly LPG for increased domestic, commercial and industrial usage by 2030. As part of these efforts under the LPG for Development (LPG4D) Programme, contracts have been signed for the procurement of 40,000 cook stoves for distribution to beneficiary MMDAs.
- The Ministry of Energy, in conjunction with the Cyber Security Authority (CSA), is constituting an Energy Sector Computer Emergency Response Team (CERT) to boost the resilience of critical energy sector infrastructure against cyber-attack.
- Government promoted five offshore blocks for direct negotiation including the Offshore Cape Three Points South, Shallow Water Cape Three Points, South West Saltpond, Goil Offshore's DeepWater Cape Three Points Block, and Base Energy's Expanded Shallow Water Tano Block.
- The Ministry to complete the appraisal of the Akoma and Eban discoveries.

Our Point of View

The need for a robust cybersecurity infrastructure is critical for the prevention, management and provision of timely response to cybersecurity threats and incidents. Thus, the CSA and CERT would help promote the development and regulation of cybersecurity in the energy sector to ensure a secured and resilient digital ecosystem.

Agriculture

Budget Proposal

❑ Ministry of Food and Agriculture Initiatives

- The Ministry will procure a total of 36,360mt of various improved seeds and 366,435mt of organic and inorganic fertilizers for distribution across the country at subsidized prices in 2023.
- Further to this, the Ministry will complete the sale of equipment from Brazil to interested farmers and machinery service providers across the country. It will also commence preparatory woks for establishing the tractor and backhoe loader assembly plant, while it continues to build capacity of machine and equipment operators to ensure effective handling of the machinery.
- Again, the Ministry will ensure effective plant protection and pest management by acquiring 40,000 litres and 6,000kg of insecticides for the control of Fall Army Worm (FAW) and other pests and disease.
- In addition, as a measure to progressively reduce the over-reliance on chemicals for the control of the FAW and other pests, the Ministry will rear and release one million parasitoids as biological agents against FAW.
- The Ministry, through the Tree Crops Development Authority (TCDA), will facilitate the production and distribution of 5.65 million high quality planting materials of cashew, shea, coconut, oil palm, mango and rubber to 175,000 tree crop farmers.
- The Ministry, in 2023, under the Rearing for Food and Jobs module of the Planting for Food and Jobs initiative, will continue with the implementation of its agenda by procuring 2 million broiler day-old chicks and 8,000 improved breeds of pigs for distribution to out-grower poultry and pig farmers.

Our Point of View

The current hike in food prices highlighted the importance of achieving self sufficiency in production of staple foods.

The impact of Russia-Ukraine war on the supply of inorganic fertilizer provides an opportunity to explore the expanded production and use of organic fertilizers as a sustainable alternative for food production.

Agriculture

Budget Proposal

❑ Promotion of Organic Fertilizer

- As a result of the disruption in inorganic fertilizer supply chains, the Ministry of Food and Agriculture is initiating a capacity building programme in Integrated Soil Fertility Management (ISFM) for farmers.
- Further to this, an extensive awareness creation campaign on the use of local organic fertilisers will be embarked on.

❑ Regulation of Grain Exports

- The Ministry of Food and Agriculture together with the Ministry of Trade and Industry, in their quest to regulate the export of major staples, especially grain, in other to avoid shortages in the local markets, will require of grain exporters to acquire Export Permits.

❑ Agribusiness Development Programme

- In furtherance of the support for the rice value chain development, 13,000ha of rain-fed lowland rice fields will be mapped-out for development.
- The government in 2023, will support agribusinesses involved in rice, soya, tomato and poultry farming - to complete documentation to enable them enroll with participating banks so that they can access affordable financing.

❑ Coffee Production

- To facilitate the free distribution of coffee seedlings and facilitate the growth of young plants and improve the productivity of mature coffee plants, an amount of GHC1.82 million has been earmarked to support coffee activities in 2022/2023.

Our Point of View

Ghana largely imports agricultural products such as rice, wheat, soybean meal, and poultry, which the country has capacity to produce locally. With Government indicating its intention to withdraw foreign exchange support for those commodities, it is important to accelerate the scaling up of local production. It is also essential that, supply chain infrastructure is enhanced.

Agriculture

Budget Proposal

❑ Export Promotion

- Selected priority products such as cocoa derivatives, cassava value chain products, fruits and vegetables will be developed for enhanced market access.
- The Ghana Exports Promotion Authority (GEPA) will continue with its supply base expansion initiative for products such as coconut, pineapples, cashew and shea derivatives.
- GEPA will leverage on the opportunities the African Continental Free Trade Area (AfCFTA) provides to pursue aggressive market entry programmes in selected African markets.

❑ Development Bank Ghana and Ghana Incentive-based Risk Sharing for Agricultural Lending

- The Board of Development Bank of Ghana (DBG) has approved the establishment of a GH¢ 500 million special credit programme – the DBG Emergency Economic Programme (DEEP) to support businesses in the agribusiness value chain at preferential rates over the next five years to build economic resilience and lay the foundation for accelerated growth. The priority sectors include poultry, rice and cereals.

❑ Ghana Agricultural Insurance Pool (GAIP)

- The government projects that US$ 400 million in agricultural insurance will be extended to eligible commercial and small-holder farmers in 2023 under the GAIP to provide traditional agricultural insurance and index-based weather insurance products. This will be spearheaded by the National Insurance Commission.

Our Point of View

Access to financing is a challenge for the agriculture sector due to the sector’s perceived high risk status. The implementation of the financing and risk mitigation initiatives will help to de-risk the sector for financing.

Health

Budget Proposal

❑ Human Resource for Health Development Programme

- The West African College of Physicians and Surgeons (WACPS) will commence post graduate training at the Tamale Teaching Hospital in line with the government's quest to improve quality of care.
- The government through the Ministry of Health will finalize the Memorandum of understanding between itself and the United Kingdom which seeks to regularize the exportation of health professionals.

❑ Health Sector Regulation Programme

To support the government's effort to improve the quality of health care in the country, the government will implement the following strategies:

- The Ghana Psychology Council and Health Facilities Regulatory Agency will complete and implement the Legislative Instruments for their various Acts (i.e. Part V of the Health Professions Regulatory Bodies Act, 2013 (Act 857) and the Health Facility Regulatory Agency for Health Institutions and Facilities Act, 2011 (Act 829)).
- In the area of pharmacy practice regulation, the National Electronic Pharmacy Platform will be rolled out in 2023 to improve access to medicines and quality pharmaceutical care.
- The traditional Medicine Practice Council will in 2023, launch and implement the advertisement guidelines on traditional medicine services.

Our Point of View

To drive good quality health care delivery, it is imperative that the Government builds adequate human resource capacity to achieve this. Consequently, it is important for Government to continue to expand access to quality education and in-service training for healthcare professionals.

Health

Budget Proposal

Health Service Delivery Programme

- The Ministry will implement the Health Financing Strategy to support financing of the universal Health Coverage Roadmap.
- The Government will continue with the establishment of the National Vaccine Institute and the Ghana Centre for Disease Control, with a clear cut goal of introducing malaria vaccines in 2023.
- Komfo Anokye Teaching Hospital will expand its Nuclear and Radiotherapy Centre, retool the Accident and Emergency Centre, complete the construction of a Fertility Centre as well as set up a CathLab and a Cardiothoracic Centre.
- Similarly, the Ghana Health Service will implement the Network of Practice concept to ensure that quality health services are provided at the lower levels to promote primary health care.

The government intends to access concessional funding to undertake the following projects, subject to the conclusion of feasibility studies:

- Phase II of the Accra Regional Hospital Project
- Retooling of Selected Public Health Facilities Project
- Rehabilitation of the Cape Coast Teaching Hospital and
- Accident and Emergency Centre Project

Covid – 19 Update

In 2023, the government will not relent in its efforts to place vaccination as the major Covid-19 prevention strategy while implementing the proven interventions adopted since the outbreak of the pandemic i.e. surveillance, risk communication, containment and case management as well as testing and laboratory services.

Our Point of View

The new reforms in the health sector will enhance the quality of health workers and health infrastructure, translating into the improvement of good quality health care delivery in the country. It also looks at regulating the export of health professionals to other countries, which could be a source of foreign exchange for the country.

Financial Services Sector

Budget Proposal

❑ Risk-Based Supervisory Mechanism

- The Financial Intelligence Centre (FIC) plans to enhance the risk-based supervisory mechanism of Designated Non-Financial Businesses and Professions.

❑ Review of the Securities Industry Act and Development of a Regulatory Framework for National Home Ownership and Investment Scheme

- Government plans to review the Securities Industry Act, 2016 (Act 929) and draft an amendment, develop a business plan, and a legal framework for the establishment of an Investor Protection Fund. The Ministry of Finance also plans to develop a legal and regulatory framework for National Home Ownership and Investment Scheme, and pursue a continuous skills development programme for the Ghana Institute of Securities.

Our Point of View

Post-financial sector recovery programme, the financial services sector has exhibited resilient performance despite the elevated macroeconomic risks.

Government aims at further managing risks within the economy, by appointing the Financial Intelligence Centre to improve the risk based supervisory mechanism of designated Non-Financial Businesses and Professions.

These efforts coupled with the review of the Securities Industry Act by government aims at further strengthening the risk management framework within the financial services industry and the economy at large.

We urge Government to continuously work through the respective financial sector regulatory agencies to monitor activities and stabilize the industry to attain utmost public confidence.

Ghana CARES "Obaatan Pa" Initiatives

Phase II of Ghana CARES aims to support the private sector in targeted sectors to accelerate competitive import substitution and export expansion.

Economic Enclave Project

This project is anchored on commercial farming with an objective of significantly expanding Ghana's productive capacity in rice, tomato, maize, vegetables and poultry. Below are some achievements of the project:

- Facilitated the acquisition of a 10,000-acre land
- Currently supporting an existing 10,000-acre farm in the Asutsuare -Tsopoli area to cultivate rice and vegetables
- 2,000 acres of land is cleared and currently being developed. Planting of rice on 1,000 acres is expected to be completed by end 2022
- A total of 1.29 million farmers have been biometrically registered and 970,000 biometric cards issued and distributed to registered farmers enrolled on the PFJ programme

Initiatives to be completed under the Economic Enclave Project in 2023

Partnership agreement with the MasterCard Foundation to provide financial and technical support for the Economic Enclave Project to be concluded in 2023

In 2023, the value of agriculture loans for which credit guarantees will be issued to financial institutions will be increased by GH¢300.7 million to help smoothen cost of doing business

Facilitate the full cultivation of the 20,000-acre rice farm in the Asutsuare-Tsopoli enclave

Commence cultivation on the 50,000 acres in the Sekyere Kumawu district with a focus on maize and poultry in collaboration with the NSS

Engage interested private sector actors to expand and cultivate the land in the Asutuare-Tsopoli area based on the Partnership Framework..

Ghana CARES "Obaatan Pa" Initiatives

Ghana CARES will also support the following targeted areas…

Agriculture

- Work with Development Bank Ghana to provide funding to interested farmers.
- Support Ministry of Food and Agriculture to adopt the farmer registration database to deploy the farmer input subsidy programme and enhance efficiency.

Manufacturing, Research and Technology

- Support the Ministry of Communication and Digitalisation to establish a tech hub to improve knowledge in technology and innovation by the youth, in collaboration with the University of Ghana.
- Promote research, multiplication and commercialisation of locally-bred and climate-resistant varieties of targeted plants.
- Ensure the operationalisation of a foundry under a sustainable private sector management framework.

Financial Support

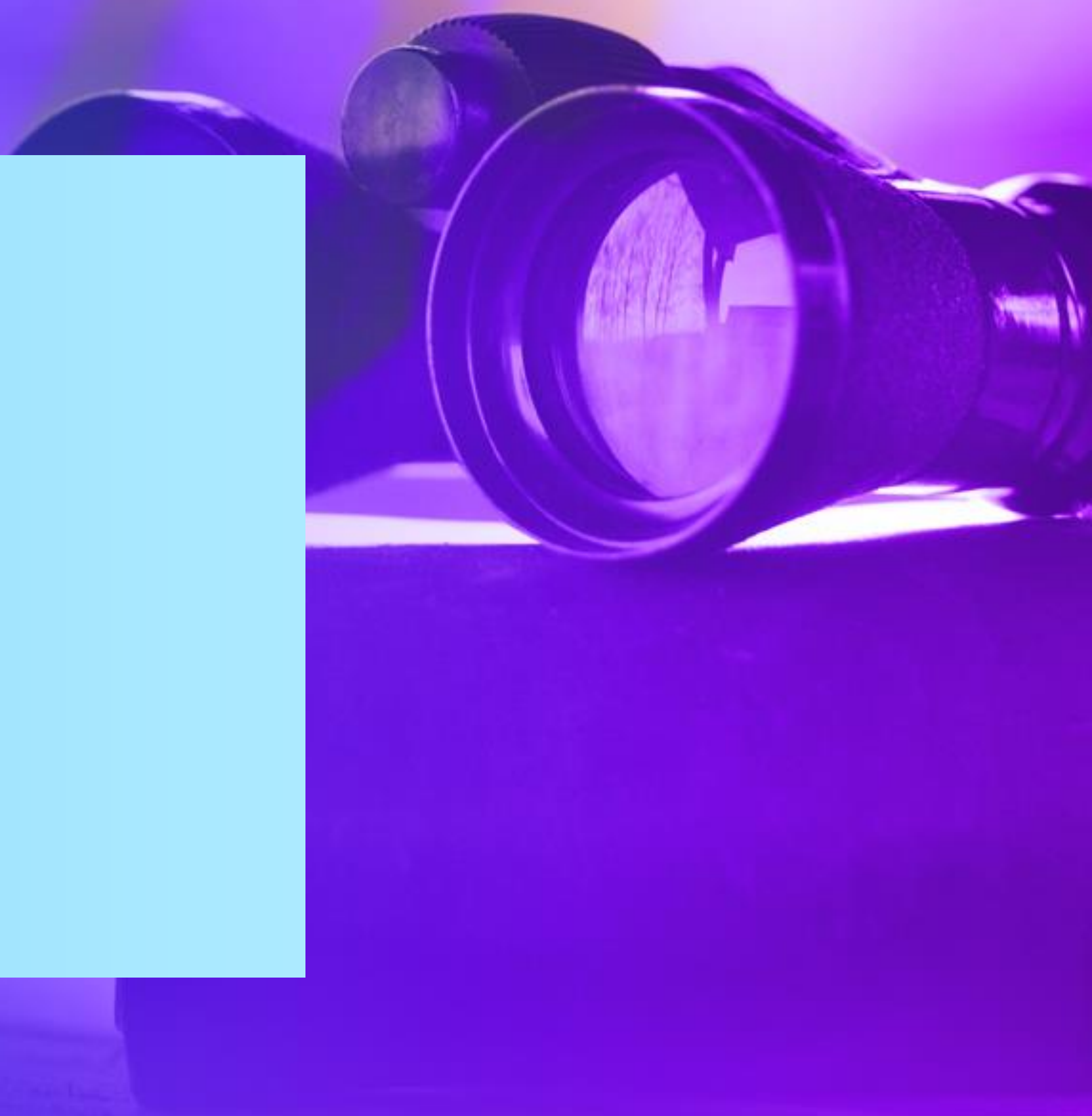
- Support the implementation of the National Unemployment Insurance Scheme.
- Provide interest rate subsidies and direct financing; including supporting prioritised sectors in the rural economy through the ARB Apex Bank and its network of banks.

Tourism, Arts and Culture

- Support the promotion of tourism through infrastructure refurbishments and services at tourist attractions.

08

Outlook



Targets for 2023

Overall GDP growth rate: 2.8%

Non-Oil GDP growth rate: 3.0%

Fiscal Deficit: 7.7%

End-December Inflation: 18.9%

Import Cover: 3.3 months

Primary Surplus: 0.7%

Revenue
GH¢ 143.96 billion

Fiscal Deficit
GH¢ 61.48 billion

Expenditure
GH¢ 205.43 billion

Medium Term Macroeconomic Targets

A slow down in growth is expected in 2023 mainly on the back of the perceived impact of fiscal adjustment and the implementation of a possible debt management strategy as part of measures to ensure fiscal and debt sustainability. Overall GDP is expected to grow at 2.8 percent in 2023 with non-oil GDP growth at 3.0 percent.

The economy is expected to rebound from 2024 and grow steadily in the medium-term to record an average growth of 4.8 percent over the period 2024-2026.

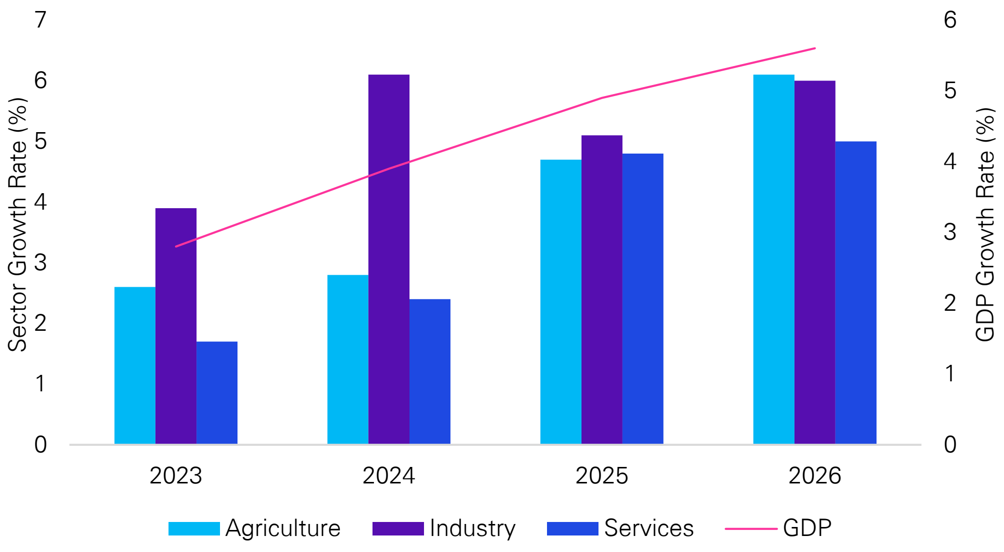
Growth in the **Agricultural Sector** is expected to accelerate to 2.6% in 2023 from a projected 0.7% in 2022 and average 4.5 percent over the medium term between 2024 and 2026.

Growth in the **Industry Sector** is expected to decrease in 2023 to 3.9 percent. The Sector is expected to record a sustained and robust average medium-term growth of 5.7 percent, based on growth performances of 6.1 percent, 5.1 percent, and 6.0 percent in 2024, 2025, and 2026 respectively.

A continuous slow down in growth in the **Services Sector** is expected to continue in 2023 at 1.7 percent. Thereafter, the sector is expected to pick up gradually and record an average growth rate of 4.1 percent over the medium term between 2024 and 2026.

Generally, government appears to be adopting contractionary fiscal policies such as a freeze on recruitment into the civil and public service and increasing the Value Added Tax (VAT) rate by 2.5% from 12.5% to 15%. This is in anticipation of IMF programme in 2023 to ensure fiscal and debt sustainability.

Medium-term GDP Growth (in %) Projection (2023 – 2026)



Macroeconomic targets for the medium term (2023 – 2026)	
Indicator	**Target**
Overall GDP growth (%)	4.3% *(average)*
Non-Oil GDP growth (%)	4.0% *(average)*
Inflation (%)	8±2 target band
Primary balance	To be in surplus of 1.3% of GDP
Gross International Reserves	4 months cover

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