2019 Budget Highlights

A Stronger Economy for Jobs and Prosperity

November 2018

pwc

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Commentary and at a glance

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Commentary

Building a Stronger Economy in a post-IMF era: Can the Centre Hold?

Vish Ashiagbor

The Minister of Finance, Ken Ofori-Atta, presented in the 2019 Budget Statement and Economic Policy ("the 2019 Budget Statement" or "the Budget") on 15 November 2018 with the Theme "A Stronger Economy for Jobs and Prosperity". The Budget Statement is set within the context of "Ghana Beyond Aid" and the 2030 Sustainable Development Goals ("SDGs") agenda.

The 2019 Budget Statement ("the 2019 budget") focuses on building a more dynamic and stronger economy by accelerating economic growth, modernising agriculture, industrialising society and protecting the vulnerable to create jobs and prosperity for the Ghanaian people. In many respects, the 2019 Budget statement builds on the foundations laid out in 2018 and 2017 Budget statement.

The primary focus is on consolidating the gains achieved so far in restoring macroeconomic stability and building an inclusive society by rolling out a wide range of broad-based social protection policies and interventions. The 2019 Budget places great emphasis on building 'unprecedented' productive infrastructure. It seeks to further support the industrial transformation vision by enhancing partnerships with the private sector and consolidating government strategic initiatives such as One-District-One-Factory ("1D1F"), National Entrepreneurship and Innovation Plan ("NEIP"), Infrastructure for Poverty Eradication Programme ("IPEP"), Free Senior High School ("FSHS"), Nation Builder's Corps ("NABCO"), etc.

It also aims to enhance the Social Partnership between Organised Labour, the Ghana Employers Association and Government, in order to provide an avenue for the partners to deliberate on, and find solutions to socio-economic matters. In a bid to grow the economy further without compromising fiscal consolidation, the 2019 Budget outlines a raft of fiscally sustainable measures to support domestic revenue mobilisation and ensure prudent expenditure controls. The latter will be done by passing the Fiscal Responsibility Act and setting up a Fiscal Council within the framework of the Public Financial Management Act ("PFMA").

To achieve these policy objectives, the 2019 Budget proposes quite ambitious but well-attainable macroeconomic targets. Overall real Gross Domestic Product ("GDP") growth is targeted at 7.6%, higher than the 2018 expected growth of 5.4%. Non-Oil Real GDP growth for 2019 is budgeted at 6.2% as against 5.4% expected for 2018. The end-period inflation for 2019 is projected at 8.0% which is almost the same as the targeted inflation (8.9%) for year-end 2018, while the fiscal deficit target is 4.2% of GDP, a little higher than the 2018 projection of 3.7%. While these targets are achievable, there is both upside potential and downside risks that will require critical attention from Government.

Given that a significant amount of growth for 2019 is expected to come from the non-oil sector, Government will need to make good its promise of massive infrastructural investments in the year. Moreover, it will require a significant improvement in credit conditions (in order to ramp up liquidity in the economy) to boost consumption and investments. Government must also ensure that its expected investments in the industrial and agricultural sub-sectors are undertaken in a timely manner.

Commentary

We welcome the announcement that Government will successfully conclude the IMF supported 3-year External Credit Facility (ECF) programme by the end of 2018. Under the ECF programme, fiscal consolidation measures led to a cut-back on public spending, which in turn resulted in a significant liquidity squeeze in the economy. The benefits of these cut backs, in terms of economic stability, are now beginning to manifest. Government must therefore ensure high fiscal discipline and prudence in order not to reverse the gains made so far. We commend Government for how it intends to manage the fiscal situation in the post-IMF era by legislating a fiscal responsibility rule to cap the fiscal deficit to no more than 5% of GDP and to set up a Fiscal Council to serve as a watchdog for prudent fiscal management. While these measures have generally been found to contribute to improved fiscal performance by improving policymakers' incentives to opt for sound fiscal policies, it has to be acknowledged that it is no “silver bullet” for securing and maintaining fiscal discipline. Strong adherence and political commitment are required for their effectiveness, and the long-term success of the Fiscal Council in particular is hinged on a full legal and operational autonomy, supported by sufficient financial and human resources to be able to effectively deliver on its mandate.

In addition to fiscal discipline, the main area of focus of this budget is to make an unprecedented push in infrastructural expansion. Financing of this infrastructure is largely expected to come from borrowing (with emphasis on Eurobond and the Centenary Bond) and creating policy space for Public Private Partnerships (PPPs). While we welcome these innovative funding modes for the infrastructure investment drive, we trust that such financing will be preceded by careful analysis to ensure that revenue streams (generated from such infrastructure) are strong enough to meet debt servicing obligations. We also expect that there is adequate transparency, project viability assessment and value for money reviews to mitigate the risk of any recourse to Government beyond what is budgeted.

On financial stability measures, we particularly welcome the continued measures announced to restore the health and resilience of the banking sector and in particular new measures to bolster financial stability within the Non-Bank Financial Institutions and the Specialised Deposit-taking Institutions (“SDI”) sector made up of Savings and Loans companies, Finance Houses, Rural and Community banks and Microfinance Institutions. While a clean-up of this sector is crucial to attaining holistic financial stability and safeguarding depositors' interest, it will require a carefully managed approach in order not to further erode public confidence in the financial services sector.

On the fiscal front, the government has listened to feedback from industry and has raised the top marginal Personal Income Tax (“PIT”) rate threshold from GH¢10,000 per month to GH¢20,000 per month and reduced the rate from 35% to 30%. This is welcome, especially for the middle class whose increase in disposable income is likely to stimulate household demand and encourage private investments, which have slowed down considerably in recent times. There is also the need, however, for Government to take a second look at the de-coupling of the NHIL and GETFUND rates from the VAT rates as industry concerns grow. Its complexity and the fact that industry was not pre-informed to enable them to factor it into their yearly projections seems to have resulted in an unexpected increase in operational costs, thereby overshadowing the policy's intention of raising revenue. While we support Government's effort at enhancing domestic tax revenue in the wake of the expected increase in expenditure in the coming years, a simplified tax system would reduce compliance cost and widen the tax base, as well as eliminate many exemptions and leakages rather than increasing already high marginal tax rates. We think that the tax system should not only remain broad-based, progressive and fair, but also be competitive and pro-growth.

We commend Government for its focus on building a cohesive and caring society that ensures that no one is left behind in the course of our development. The measures introduced send a strong signal that all of us play a part in helping to build a caring and cohesive society for shared prosperity. Adequate financing, effective management and implementation mechanisms are sine qua non for sustainability and future healthy fiscal performance. In that regard, we believe that a phased-in approach towards implementation and effective targeting that keeps pace with expenditure control measures is needed. If these are lacking it will not only lead to increase in recurrent expenditures such as the wage bill that has the potential to derail fiscal sustainability, but a poorly implemented programme that may even worsen the pre-existing one.

In conclusion, we believe that the 2019 budget provides hope for the future as it seeks to accelerate the transformation of our economy and better the lives of Ghanaians and businesses. As always, its ultimate success will depend on a timely, full and commercially minded execution to which we look forward with optimism.

2019 BUDGET AT A GLANCE
ECONOMY

Snapshot of 2019 Budget Statement

Real GDP growth was at **5.4%** for the period Jan.-Sept. 2018 compared to 7.9% for same period in 2017

Inflation reduced from 11.8% in December 2017 to 9.8% as at September 2018 and 9.5% as at October 2018

Budget deficit fell to 3.0% as at September 2018 (based on the rebased GDP) compared to 4.8% in 2017

Overall expenditure as at September 2018 amounted to **GH¢41,251 million** against a target of GH¢43,379 million for the same period

Total revenue amounted to **GH¢32,201 million,** compared to a target of GH¢35,599 million

There has been an **overall shift** from spending primarily on capital expenditure to social spending

Revenue

Revenue accounted for **10.8%** of GDP

Expenditure

Total expenditure declined by **4.9%**

2019 Budget deficit

Budget deficit is projected to be **GH¢14,536** million

Debt

Current public debt to GDP ratio is **57.2%** based on the rebased GDP

Exchange Rates

Ghana Cedi recorded a depreciation of **7.6%** in the year to September 2018 against the US$

Commodities

Government plans to maintain the producer price of cocoa at **GH¢7,600** per tonne in 2019

Sector Growth

GDP Growth

The rebasing resulted in a 24.5% expansion of the economy in September 2018

Agriculture

The Agriculture Sector is however projected to grow at a rate of 7.3% by the end of 2019

Industry Sector

The Industry Sector contributed 34% to overall GDP and estimated to end the year 2018 with a growth rate of 5.9%

Services Sector

The Service Sector was the highest contributor to overall GDP with a contribution of 44.5%.

2019 BUDGET AT A GLANCE
TAX

Direct Tax Initiatives

35% to 30%
Reduction in the top marginal income tax rates for resident individuals

GHS 10,000 to GHS 20,000
Increase in the monthly equivalent triggering chargeable income for the top marginal tax rate

Increase in the tax free threshold
to align with the new national daily minimum wage

Shift in small scale mining tax collection
point from withholding tax to the point of export

Conversion of tax expenditures
(exemptions) to equity in mining companies.

Indirect Tax Initiatives

Provision of support and incentives
to local textile manufacturers to improve their competitiveness and attractiveness using tax stamps and zero-rating supplies for VAT purposes.

Introduction of tax incentives
such as tax holiday and exemption from import taxes for Government's flagship programme for industrialisation, the One District-One Factory.

Implementation of
ECOWAS Common External Tariff
to address cross-border smuggling, combat dumping, and bring economic benefits to the sub-region.

Introduction of
tax free solutions
for full electric vehicles as a measure to protect the environment and in line with Government's commitment to Sustainable Development Goals.

General Administrative Measures

Intensified tax compliance measures
such as prosecution of offenders and implementation of fiscal electronic device Act and excise tax stamp policy.

Reforming GRA and effecting changes
aimed at boosting GRA's performance and enhancing the work ethics of its staff.

Continued efforts to broaden the tax net
through use of third party data and enforcing Tax Identification Number related laws.

Deployment of
Nation Builder's Corps
to aid in revenue mobilisation by identifying and registering potential taxpayers.

Reform of the tax exemption regime
as a way of optimising benefits to the economy and protecting

2019 BUDGET AT A GLANCE
SECTORAL OUTLOOK

GH¢29,782 million to **GH¢38,154 million**

Total sectoral budget was increased by 28%

12.68% decline

The Administration Sector received a decline in budget allocation

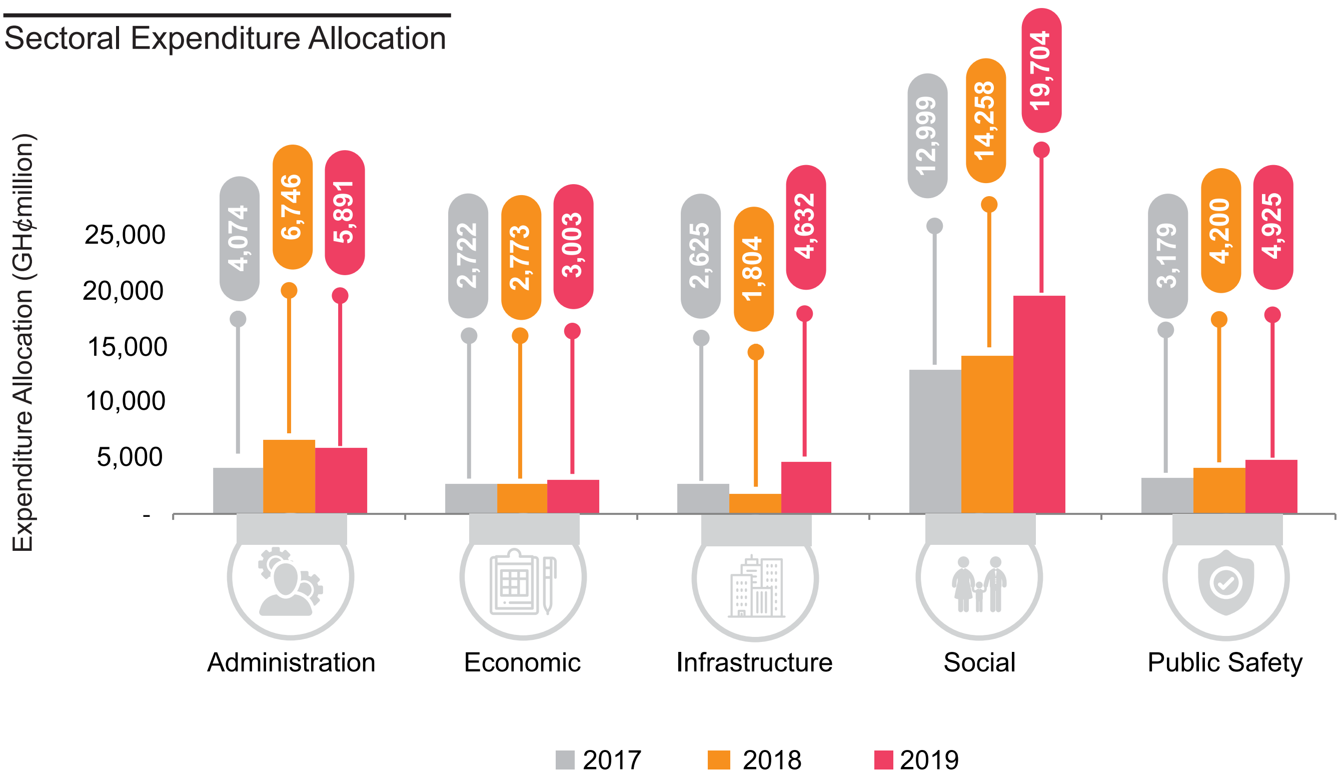
GH¢19,704 million

The Social Sector has an allocation (representing 52% of the total sectoral budget)

Increase of **156.68%**

The Infrastructure Sector saw the highest increase in allocation from the 2018 budget

Sectoral Expenditure Allocation



Policy Initiatives

- Infrastructure
- Agriculture modernisation
- Industrialisation
- Entrepreneurship
- Improving efficiency in revenue mobilisation
- Social intervention

Economy

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THE ECONOMY

Overview

The 2019 Budget Statement under the theme, “A stronger economy for jobs and prosperity” broadly follows on the initiatives and policies outlined in the 2017 and 2018 Budget Statements. The Government of Ghana (“GoG” or the “Government”) continues to leverage and build on its flagship policies and programmes that are aimed at stabilising and transforming the Ghanaian economy, creating jobs and prosperity for the greater percentage of Ghanaians, and moving Ghana “Beyond Aid”. The Ghana Statistical Service (“GSS”) in September 2018 completed a GDP rebasing exercise which resulted in a 24.5% growth in the Ghanaian economy. This was done to reflect the current economic structure and to assist in measuring the true performance of Ghana.

The following are the six major thematic areas covered in the 2019 Budget Statement:

1 **Sustainable push and improvement in infrastructural expansion** – aimed at creating jobs, ensuring value for money for Ghana as well as positioning the country as the transportation, energy and logistics hub in the West African sub-region.

2 **Modernising agriculture, increasing production and reducing dependence on food imports** – aimed at raising productivity and incomes from the agriculture sector. Government intends to implement an extended version of the flagship “Planting for Food and Jobs” (“PFJ”) as well as launch the livestock model of PFJ known as “Rearing for Food and Jobs” (“RFJ”) with the objective of increasing the production of selected livestock.

3 **Implementing a bold and comprehensive industrialisation plan** – by adding value to agriculture and natural resources and leveraging on the rising population of educated youth. The famous 1D1F and other initiatives such as the establishment of the Ghana Integrated Aluminium Development Corporation (“GIADEC”) and the implementation of One Region One Industrial Park programme (“1R1P”).

4 **Encouraging and providing an enabling environment for entrepreneurship** – through programmes such as the National Entrepreneurship and Innovation Support Programme (“NEISP”) as the Government continues to focus on improved support for the private sector. Key measures includes increasing access to credit to the private sector: mainly Micro and Small Enterprises (“MSEs”), the launch of an online electronic registry to document all business-related laws as well as instituting measures to attract Foreign Direct Investments (“FDI”) among other policies.

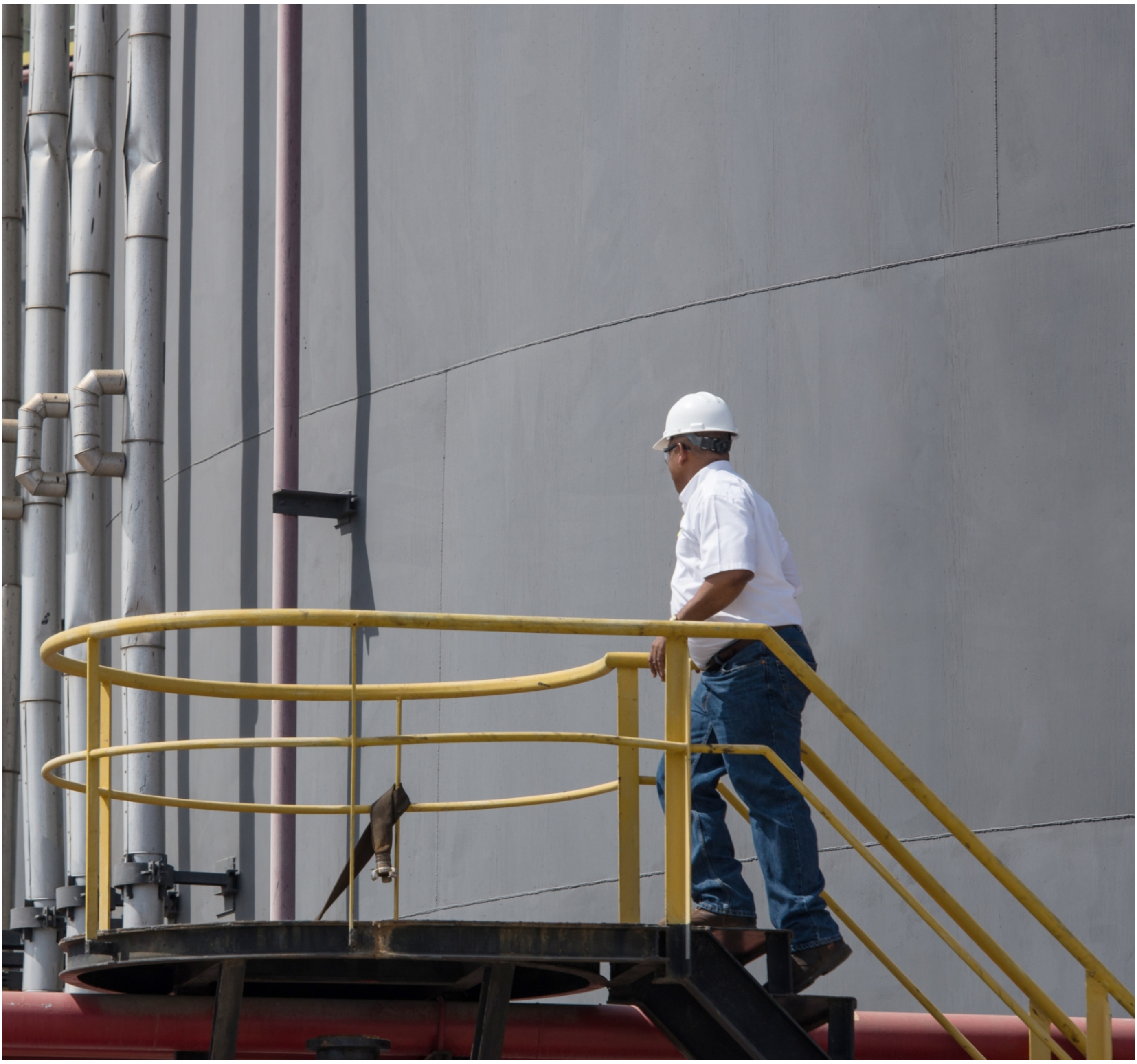
5 **Building on and strengthening the country's social interventions** – supported by key social initiatives such as the Free SHS, the provision of jobs to 100,000 graduates under the NABCO and continued implementation of the NEP, the Zongo Development Fund among other existing initiatives.

6 **Strengthening domestic revenue mobilisation and enforcing efficiency in public expenditures** – anchored on the ability of the Government to improve measures for broadening the tax base of the economy by encouraging all Ghanaians to register for a Tax Identification Number (“TIN”), and the implementation of the National Digital Addressing System to facilitate the collection of taxes as well as property rates from property owners.

Summary of Key Fiscal Indicators[1]

Description	2018 Target	2018 Provisional[2]	2019 Target
Growth in Real GDP (incl. oil)	5.6%	5.4%	7.6%
Growth in Real GDP (non-oil)	5.8%	4.6%	6.2%
End of Period Inflation (%)	8.9%	9.5%[3]	8.0%
Overall Fiscal Budget Deficit (% of GDP)	3.7%	3.0%	4.2%
Primary Surplus (% of GDP)	1.4%	0.5%	1.2%
Gross International Reserves	not less than 3.5 months of imports cover	not less than 3.6 months of imports cover	not less than 3.5 months of import cover

Source: 2019 Budget Statement

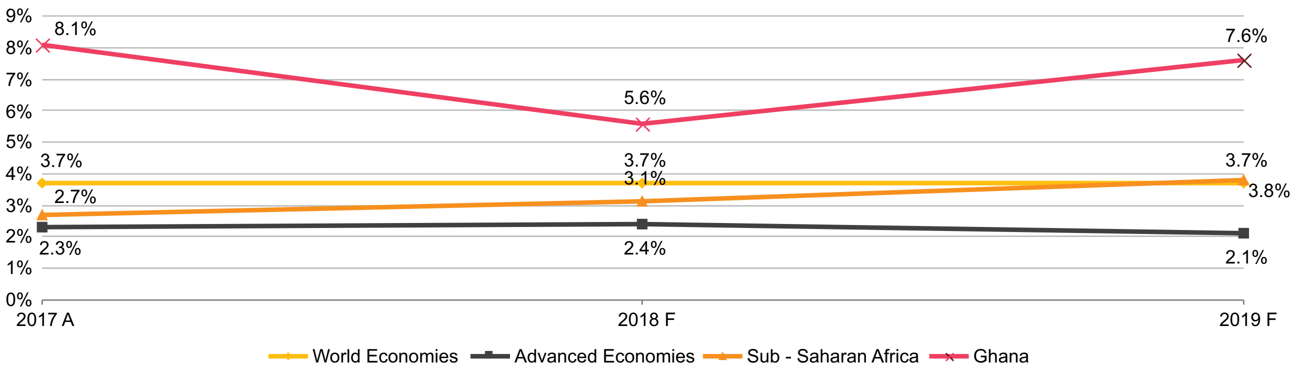


1 Figures in the tables and graphs are updated to reflect results after the GDP rebasing exercise
2 Based on ending September 2018 estimates
3 Based on October 2018 actual results

The World Economy

The Ghanaian economy outperformed the global economy and is expected to grow from 5.6% in 2018 to 7.6% in 2019.

Global GDP Growth



Source: World Economic Outlook October 2018

The World Economic Outlook ("WEO") October 2018 projects global growth will remain at 3.7% for the year - end 2018 and in 2019. Advanced economies are expected to grow by 2.4% in 2018 but will moderate to 2.1% in 2019 due to underlining factors such as slower export growth, political uncertainty and weather related disruptions in the United Kingdom. A mixed performance is expected from emerging markets and developing economies due to a combination of growth in fuel exporting countries, tighter financial conditions, sustained growth in emerging Asia and high domestic demand in India.

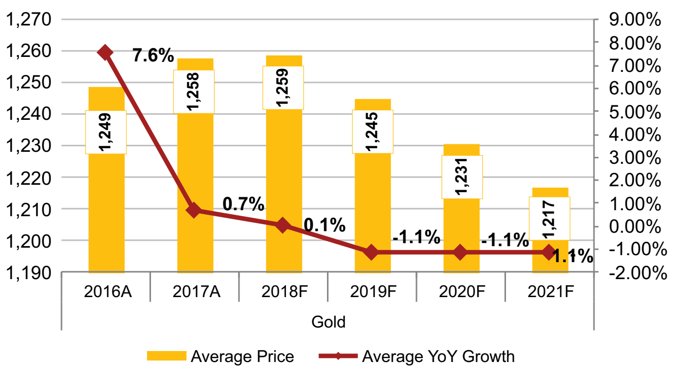
Government has projected the Ghanian economy to grow at 7.6% in 2019. Though ambitious, the projected GDP growth rate of 7.6% for 2019 is expected to come from the implementation of Government industrialisation programmes such as 1D1F and the widening of the tax net.

Global Commodity Prices

Gold

Gold prices are expected to decline due to weakening demand for the precious metal in advance economies

Gold prices (in US$/toz)



Source: World Bank Commodity Markets Outlook, October 2018

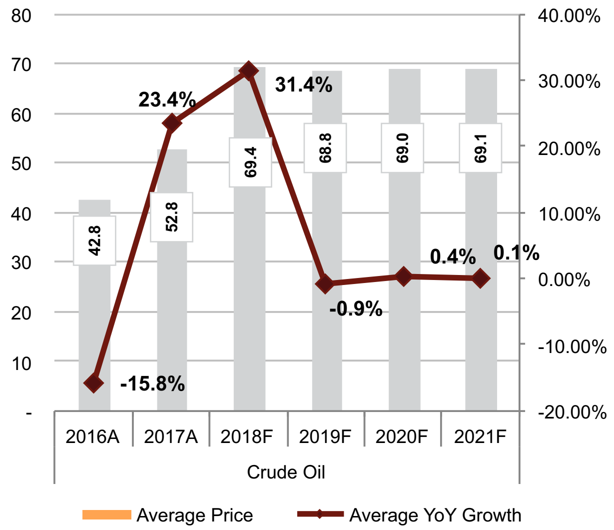
In the first quarter of 2018, gold prices increased by 4%, averaging US$1,329 per troy oz. This was attributable to stronger investment demand, rising inflation and a weakening US dollar. Gold prices are projected to increase further to an average of US$1,346 per troy oz in 2018 before declining slightly to US$1,302 per troy oz in 2019.

In 2019 gold prices are expected to decline mainly as result of the weakening demand for the commodity. The strengthening of the US dollar and tighter monetary policy in advanced economies will reduce the attractiveness of gold as an investment asset as it will become more expensive (in domestic currency terms) for key global customers in China, India, Iran and Turkey. This has potential to reduce the demand for the precious metal from key exporters like Ghana, and this could affect the country's receipts from this important export commodity.

Crude Oil

Developments in Iran and Venezuela are expected to drive the world market price of crude oil upwards towards the end of 2018

Crude oil prices (in US$/bbl)



Source: World Bank Commodity Markets Outlook, October 2018

Baseline assumptions from the International Monetary Fund ("IMF"), based on futures markets, project average crude oil price at US$69 per barrel in 2018 and US$69 per barrel in 2019, compared to the US$53 per barrel recorded in 2017.

Oil prices increased to about US$76 a barrel in the first half of 2018, the highest level since November 2014, reflecting the decline in Venezuela's output production, disruptions in Canada and Libya's production, and expectations of lower Iranian exports due to US sanctions.

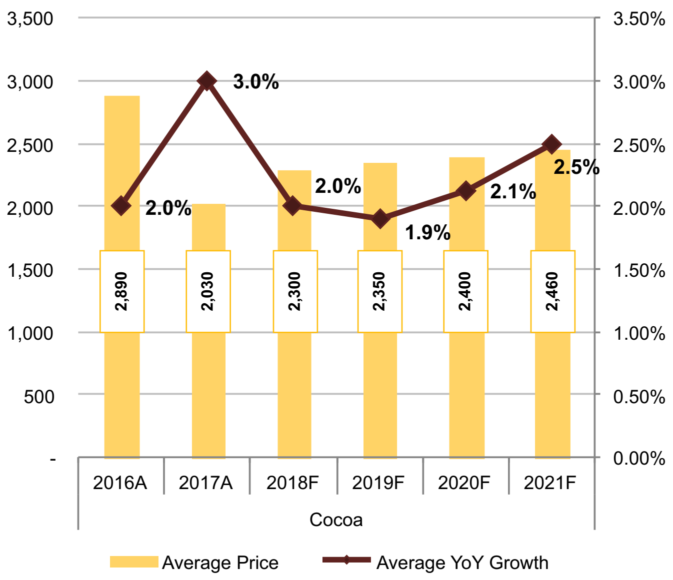
The decision by the Organisation of Petroleum Exporting Countries (OPEC) and the non-OPEC oil exporters (including Russia) to boost oil production was a key factor in the crude oil price decline to about US$71 per barrel in October 2018.

Oil prices increased by 3% in the third quarter of 2018, partly in response to the impending re-imposition of sanctions on Iran by the United States of America, along with a continuing decline in production from Venezuela. As a result, crude oil prices are expected to average $72 per barrel (bbl) by the end of 2018 (up from $53/bbl in 2017) and $74/bbl in 2019 in line with the Petroleum Revenue Management Act ("PRMA"), Government has benchmarked the 2019 projected price of crude oil to US$67/bbl (2018: US$ 66/bbl). Government has made a fairly conservative price projection compared to forecast estimates of the World Bank Commodity Markets Outlook, (2019 Forecast: US$69). If the IMF forecast (or higher) materialises within 2019, Ghana may make higher than estimated revenue from oil sales.

Cocoa

Cocoa prices are expected to increase marginally by 2% from US$2,300 per tonne in 2018 to US$2,350 per tonne in 2019

Cocoa prices (in US$/ tonne)



Source: World Bank Commodity Markets Outlook, October 2018

The cocoa market has tightened as the world's two largest cocoa suppliers (Cote d'Ivoire and Ghana) experienced higher unanticipated production declines (down 6% and 3% respectively) due to poor weather. Therefore, the world market price of cocoa beans is estimated to reach US$2,200 per metric ton in 2018 compared to US$2,025.1 per metric ton in 2017.

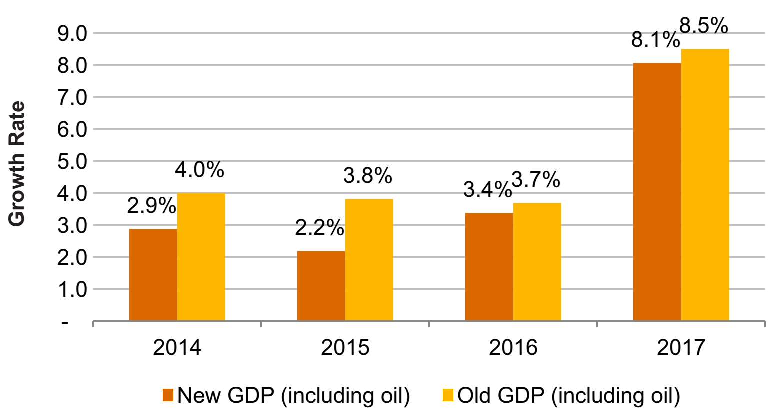
Supply of Cocoa by major producers (Ghana and Cote d'Ivoire) was adversely affected by factors such as poor weather conditions and land degradation. The signing of a strategic partnership agreement between Ghana and Cote d'Ivoire in September 2018, aimed at increased co-operation in terms of cocoa production, protection and pricing could benefit the sector for both countries in the medium term. Apart from leveraging the benefits of its strategic agreement with Cote d'Ivoire, Government needs to give adequate attention to extension services and other environmental directives targeted at improving cocoa yield and quality.

Sectoral Analysis

The Ghana Statistical Service ("GSS") released a rebased GDP, which resulted in a 24.6% expansion of the economy in 2017

This exercise was performed to conform to best practice in terms of rebasing frequency as well as the need to move from the 1993 System of National Accounts ("SNA 1993") to the 2008 System of National Accounts ("SNA 2008"). The rebasing resulted in a 24.6% expansion of the economy in 2017 and a GDP growth of 8.1% in 2017 compared to 3.4% in 2016.

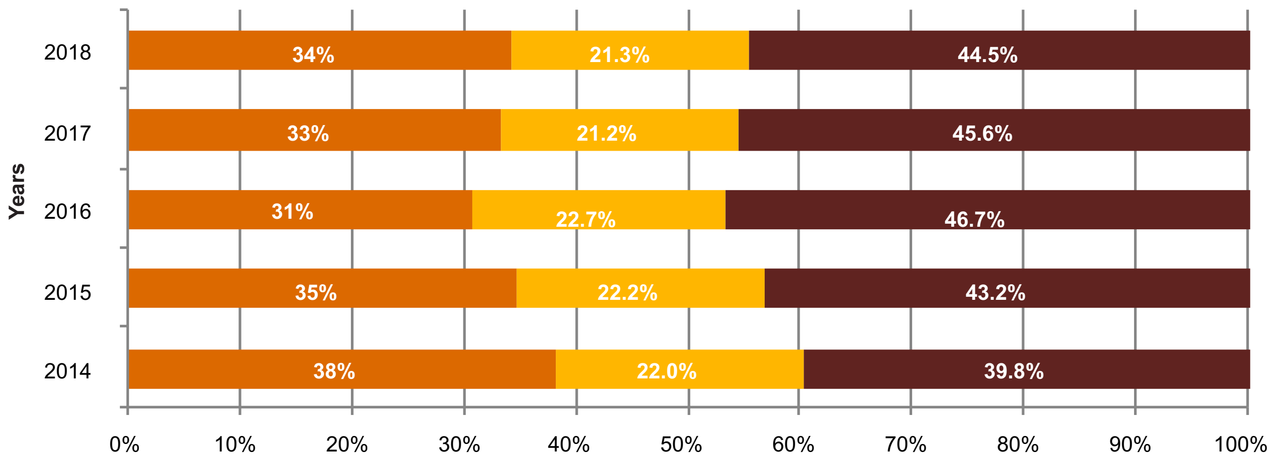
Annual GDP Growth



Source: 2019 Budget Statement

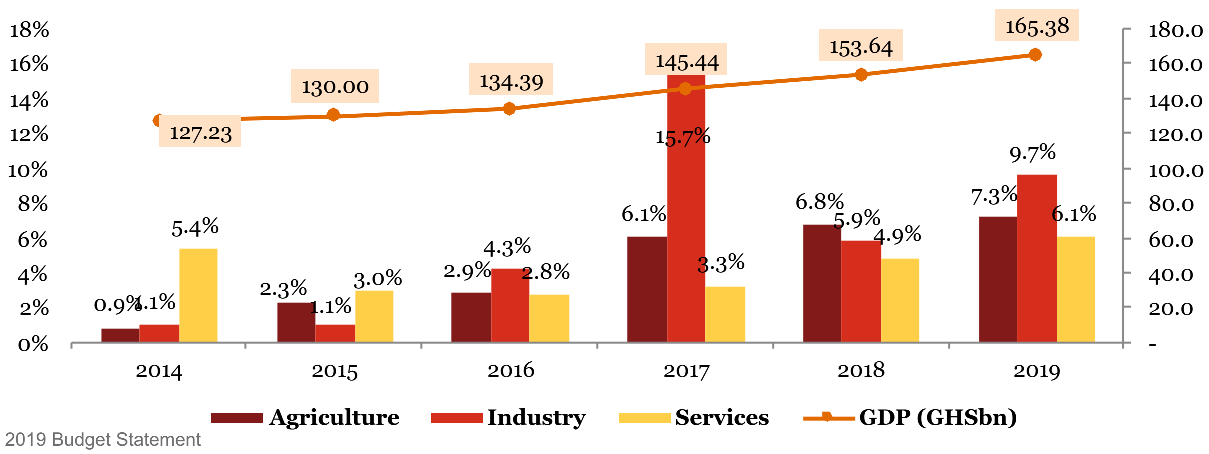
The structure of the economy remained fairly consistent in 2018. The Industry and Agriculture sectors marginally expanded their contribution to GDP, while the Services sector slightly reduced its contribution to GDP. The 2019 Budget Statement estimates Real GDP growth of 5.6% by the end of 2018 compared to a target of 6.8%. This lower than budgeted growth has been driven by a combination of factors such as the GDP rebasing and the contraction in the Financial Intermediation sub-sector, which suffered as a consequence of the failure of seven local banks in 2017 and 2018

Sectoral structure of the economy



Source: 2019 Budget Statement

Growth per sector: 2014 - 2019



Source: 2019 Budget Statement

Government estimates a growth in all three sectors of the economy in 2019. The growth in the Agriculture and Industry sectors is expected to be driven by the continued implementation of various existing initiatives, including the Planting for Food and Jobs ("PFJ") Programme, the Ghana Commodity Exchange ("GCX") - the electronic commodity exchange the One District, One Warehouse ("1D1W"), One District One Factory ("1D1F") and One Region, One Park ("1R1P") initiatives.

Despite the contraction in the Financial Intermediation sub-sector in 2018, Government anticipates a growth in Services in 2019. Some of Government's initiatives, such as 1D1F, are still in early phases of implementation. Government will have to mobilise more resources in 2019 to accelerate implementation in the remaining 175 districts of Ghana if it is to achieve its ambitious Industry Sector growth targets.

Fiscal Developments

Revenue

Total budgeted revenue and grants is expected to increase by 25.8% from GH¢46,808 million in 2018 to GH¢58,884 million in 2019 driven mainly by tax revenues resulting from expected reforms in revenue administration and tax compliance.

- Total Revenue and Grants from January to September 2018 amounted to GH¢32,201 million, approximately 11% of GDP compared to a revised target of GH¢35,599 million (12% of GDP) over the same period. Although the outturn recorded is 9.5% below the target, it represents an annual growth of 13% compared to 16% during the same period in 2017.
- The shortfalls in revenue performance is as a result of consistently low realised non-oil import Cost, Insurance and Freight (“CIF”) values, admittance of large volumes of imports into exempt or low tariff (zero-rated) categories, increase in re-exports of ex-warehoused products, and the current exemptions regime. Additionally, the delayed implementation of some revenue interventions such as the roll-out of the electronic fiscal devices, also contributed to the revenue shortfalls.

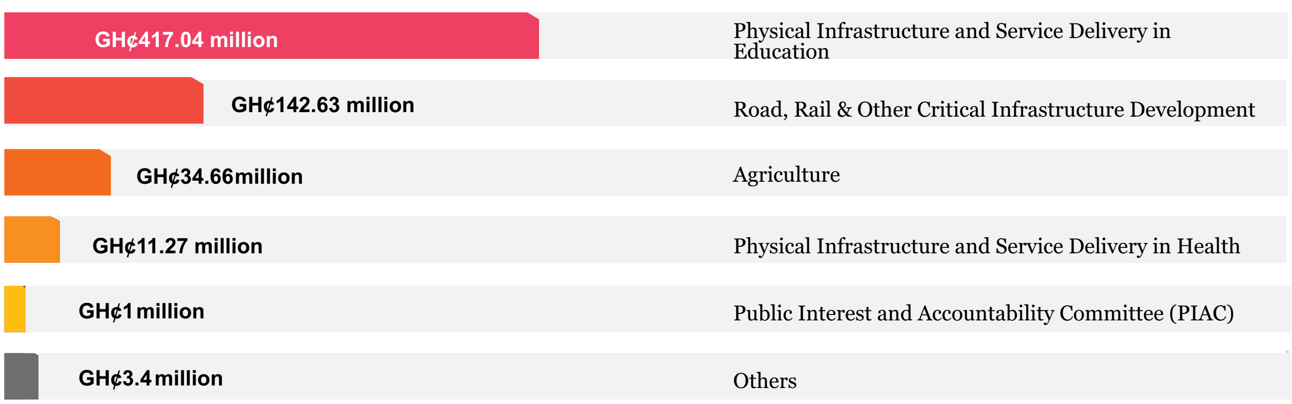
Government has identified structural deficiencies in the tax administration system as one of the main reasons for its inability to mobilise revenue which has resulted in a low non-oil Tax-to-GDP ratio as compared to peer middle income economies fluctuating in a narrow band of between 11.9% and 12.2% percent of GDP over the past three years. To achieve the revenue target for 2018, there is the need for Government to keep an eye on ongoing tax administration reforms as well as compliance efforts, without jeopardising its decision to use tax policy as a tool to support production.

Petroleum Receipts

Total petroleum receipts (i.e. proceeds from Liftings and other petroleum receipts) as at September 2018 amounted to US$724 million (GH¢3,292 million) of which GH¢1,546.38 million was approved by Parliament to be spent as Annual Budget Funding Amount (“ABFA”) in the year 2018.

- Out of an amount of GH¢1,546.38 million approved by Parliament to be spent as ABFA in the year 2018, a total of GH¢610.18 million, representing 49.0% was utilised at the end of September 2018. The chart below shows the utilisation of ABFA receipts.

2018 ABFA Utilisation by Priority Area



Source: 2019 Budget Statement

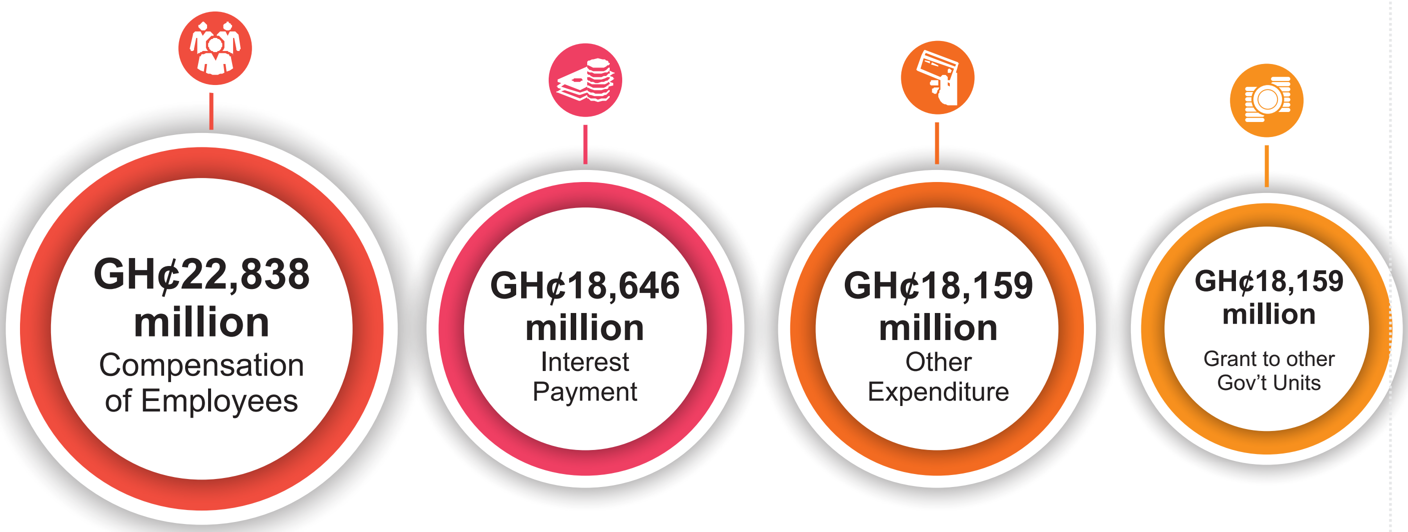
- In 2019, Government expects to make total petroleum receipts of US$1,080 million. This comprises Royalties (US$227 million), Carried and Participating Interest (US$602 million), Corporate Income Tax (US$250 million) and Surface Rentals (US$1million).
- Average crude oil price is expected to increase from US$69 per barrel in 2018 to US$69 per barrel in 2019.

Despite the gains in global commodity prices, an increase in the supply of oil in the global market could put a downward pressure on oil prices, thus affecting Government's revenue target. Also, the revenue estimates for 2019 are largely dependent on the increased production targets from the Jubilee, TEN and SGN fields. Output from the three fields is projected to be GH¢72 million barrels. In the event of unanticipated operational challenges, the revenue projections from petroleum products could be affected negatively. Government needs to have clear-cut policies and strategies to ensure that it achieves its revenue target from petroleum receipts which could include hedging mechanisms to mitigate the risk and impact of price volatility on the international oil market.

Expenditure

Total expenditure including clearance of arrears was GH¢41,251 million representing 4.9% decline in the 2018 target of GH¢43,380 million. However, the allocation of expenditure is skewed towards social expenditure rather than capital expenditure.

- Expenditures were generally lower than programmed, although some overruns were observed on specific expenditure lines including use of Goods and Services as well as Wages and Salaries. Expenditure (including the clearance of arrears) was 4.9% below target and amounted to GH¢41,251 million, equivalent to 13.8% of GDP compared to the target of GH¢43,380 million (14.5% of GDP). This outturn includes the overruns in the Use of Goods and Services as well as Wages and Salaries.
- The cost associated with the one-off financial sector bailout to the two banks placed in Receivership and the five consolidated banks has had immense impact on Government's fiscal operations. The chart below summarises Government's expenditure budget for 2019.



Source: 2019 Budget Statement

Government's primary focus of fiscal consolidation is geared towards achieving a fiscal deficit of 4.2% of GDP in 2019 from 4.5% 2018 end of year projection. This is expected to remain below 4% of GDP from 2020-2022. Government intends to put in place measures to stabilise the growth of debt in line with the IMF Extended Credit Facility ("ECF") and ensure that spending commitments can be met without additional borrowing.

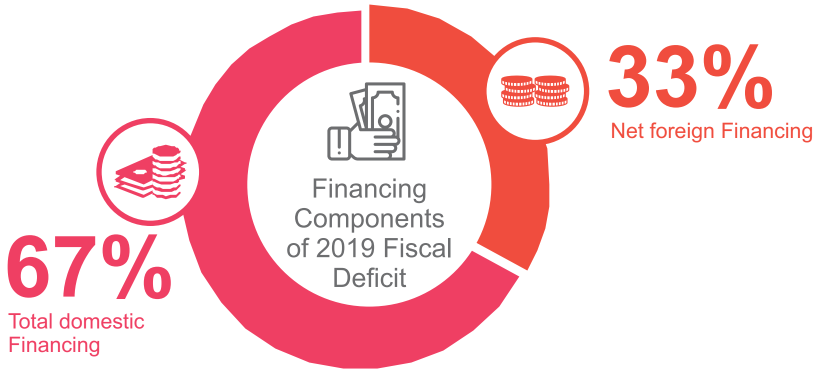
Given the introduction of the flagship Free SHS policy which enters its second full year of implementation in 2019 plus the government bailout to the seven banks, there is the need for Government to ramp up efforts to mobilise revenue including widening of the tax net.

Deficit

The fiscal deficit was 3% of GDP at the end of September 2018 compared to a target of 2.7%.

- The fiscal deficit was financed from a combination of domestic and external sources. This included a draw-down in Government deposits at the Bank of Ghana (“BoG”). Total Domestic Financing amounted to GH¢4,166 million of which net financing from domestic market operations amounted to GH¢6,461 million. Total Net Foreign Financing amounted to GH¢4,883million and included inflows from the issuance of the 2018 Eurobond.
- Based on the estimates for Total Revenue & Grants and Total Expenditure, the 2019 fiscal operations will result in an overall budget deficit of GH¢14,536 million, equivalent to 4.2% of GDP.

Financing Components of 2019 Fiscal Deficit



Source: 2019 Budget Statement

Government intends to uphold fiscal discipline and ensure a fiscal path that is consistent with a fiscal rule of a budget deficit of not more than 5% of GDP in each fiscal year, commencing from 2019. Over the medium term, it is expected that the fiscal deficit will decline and stabilise at under 4% of GDP, a level that will be enough to consolidate the Primary Surplus which is a key milestone on the path to debt stabilisation.

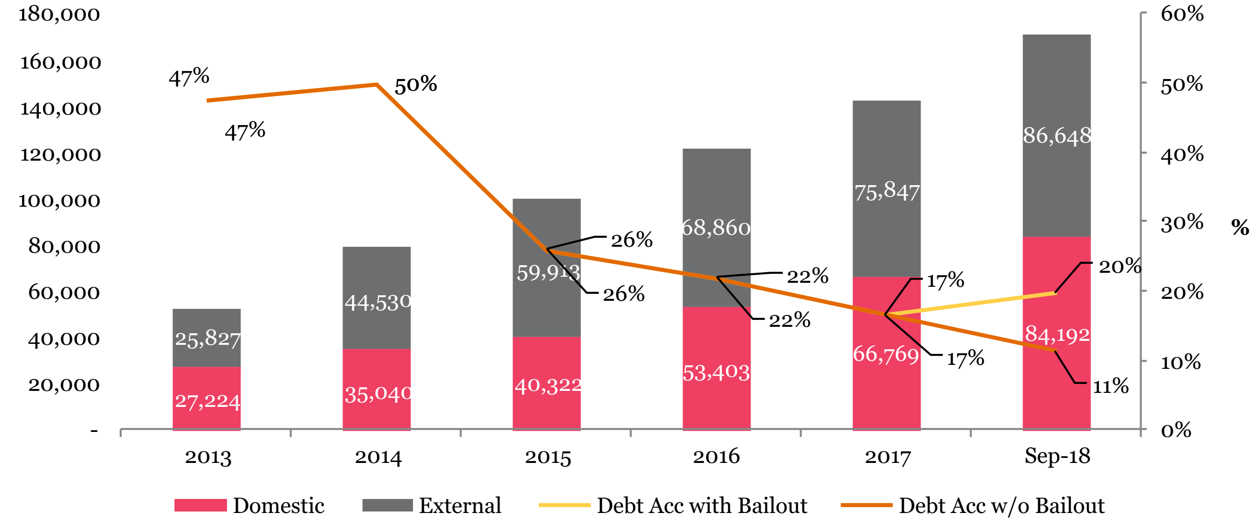
Government's projected budget deficit for 2019 may be attainable if it aggressively pursues its revenue mobilisation strategies including widening the tax net and ensuring that taxes are efficiently collected.

Public debt

The public debt including the financial sector bail out costs at the end of September 2018 was 57.4% of GDP. Excluding bail out costs, the debt was 53.9% of GDP.

- As at the end of September 2018, the public debt stock stood at GH¢170,839.53 million comprising external and domestic debt of GH¢86,647.60 million and GH¢84,191.93 million, respectively. For the same period in 2017, the public debt amounted to GH¢138,872.22 million.
- The overall rate of debt accumulation in 2018 is 19.8%, driven significantly by the bailout of the seven local banks which were either resolved or consolidated as part of the banking sector clean-up. The rate of debt accumulation would have been 11.5% without the clean-up exercise.
- In real terms, the public debt to GDP ratio is 57.2%, based on the rebased GDP. The public debt stock (excluding the financial sector bailout) as a ratio of GDP is 53.94% in rebased GDP as at September 2018.
- The chart below shows the trends in public debt and debt accumulation from 2013 to September 2018.

Trends in Public Debt and Debt Accumulation 2013 - Sep 2018



Source: Ghana Budget Statement 2018

Government should continue to pursue its debt management programme which has generated some benefits in prior years. There is the need to implement more strategies which would help Government to manage the public debt stock with the main objective of raising adequate financing at the lowest possible cost and ensuring a prudent degree of risk.

The issuance of the 2018 Eurobond was a step in the right direction to raise funding for budgetary purposes and for liability management. Government raised a total of US$2 billion in 10-year and 30-year Eurobonds of US$1billion each.

Other strategies which should be pursued include an enhanced and efficient tax revenue mobilisation and effective control of borrowing and expenditure which will impact Government's budget deficit and will in turn impact positively on Government's reliance on debt financing. More funds in the long term would be available for infrastructure investments nationwide and compliment Government's job creation agenda in the process. It will also ensure that Ghana achieves its "Ghana Beyond Aid" agenda.

Credit to the private sector

Credit to the private sector recorded a significant improvement with a growth rate of 6.8% during the period to September 2018 compared to a contraction of 2.3% over the same period in 2017. Total stock of outstanding credit amounted to GH¢41,127 million with the private sector accounting for approximately 89.1% as at the end of September 2018.

- Credit to the private sector increased by 17.2% over the period to September 2018, up from 9.6% as at September 2017. In real terms, growth of credit to the private sector showed a strong recovery, registering a growth of 6.8% as at September 2018 compared to a contraction of 2.3% as at September 2017.
- Most of the credit to the private sector was absorbed by the commerce and finance, services, transport, storage and communication, and manufacturing sub-sectors.

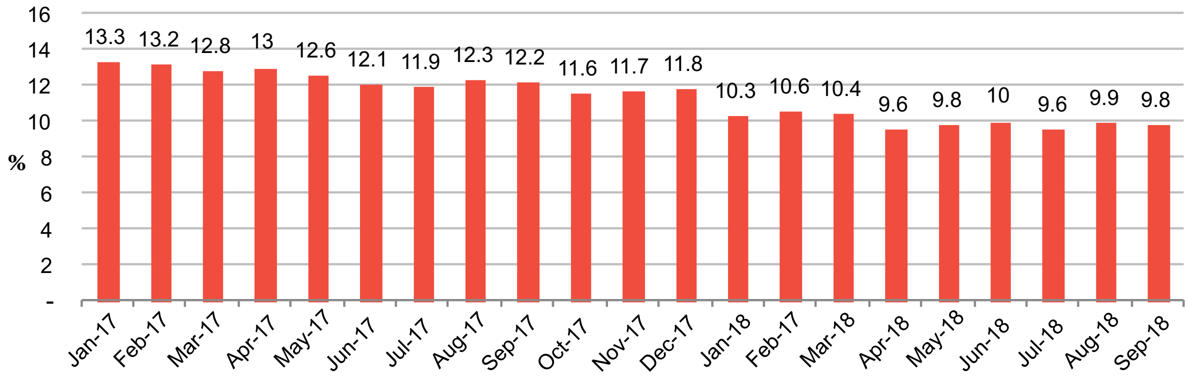
The reduction in Treasury bill rates over the last couple of years has partly resulted in banks increasing supply of credit to the private sector as this presents a higher earning potential compared to the money market instruments. We expect credit supply to the private sector to continue growing in the coming year, albeit at a cautious pace as banks continue to adopt stringent credit risk management procedures aimed at improving credit performance.

Inflation

Headline inflation declined from 12.2% as at September 2017 to 9.8% as at September 2018 largely due to relatively stable exchange rate developments and effective monetary policy implementation.

- Headline and core inflation have generally trended downwards in 2018. Headline inflation dropped to 9.8% in September 2018, down from 12.2% recorded in September 2017 and 11.8% in December 2017.
- The decline in inflation was mainly driven by non-food prices on account of relatively stable exchange rate developments. Non-food inflation fell to 10.3% September in 2018 (from 14.1% in September 2017 and 13.6% in December 2017).

Monthly Year-on-Year Headline Inflation - 2018



Source: BoG Monetary Time Series Data; 2019 Budget Statement

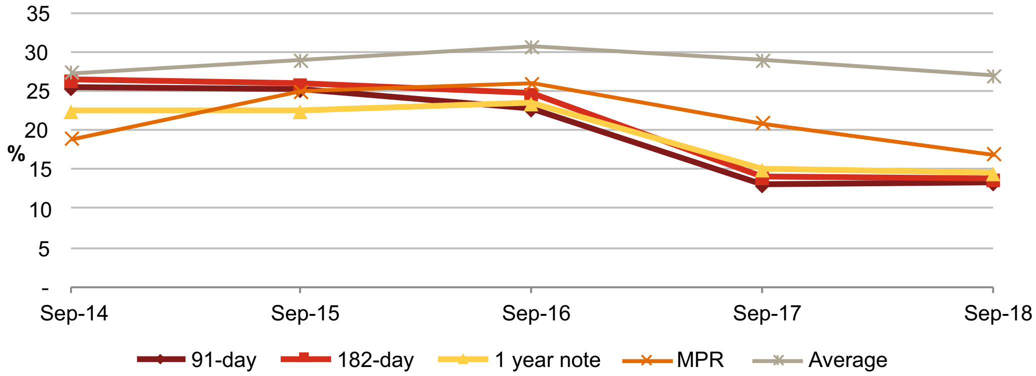
Government projects to maintain a single digit inflation with the aim of ending the year 2019 with an average rate of 8%. Key amongst measures that will help achieve this target is an aggressive expansion of the productive capacity of the economy, with the aim of significantly reducing dependence on imports.

Interest rates

Interest rates on money market instruments declined in response to both the decline in the Monetary Policy Rate ("MPR") and Government's policy to re-profile public debt from short to longer end instruments.

- BoG MPR saw a year-on-year reduction from 25.5% by end-2016 to 20.0% by end-2017 and stands at 17.0% as at September 2018. This is the longest 18-month reduction in the monetary policy rate since 2001.

Year-on-Year Interest Rate and Average Lending Rate



Source: BoG Monetary Time Series Data; 2019 Budget Statement

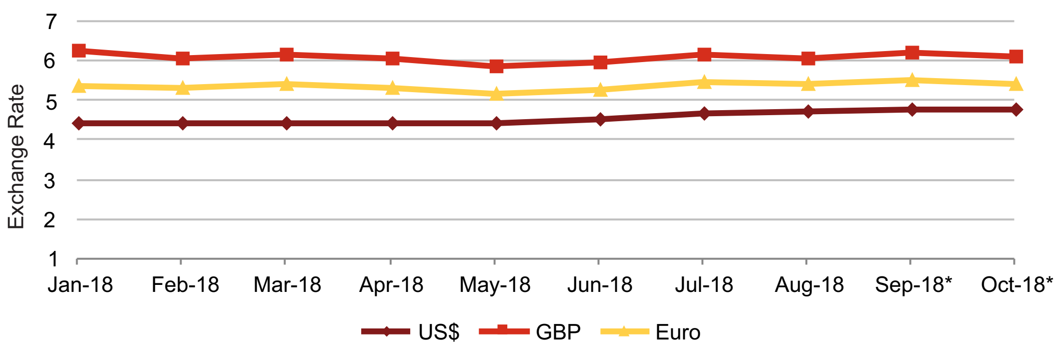
In addition to re-profiling public debts, which has reduced earnings on money market instruments by banks, the conversion of banks' energy sector exposure into Energy Sector Levy Act (“ESLA”) bonds in November 2017 has contributed to reducing banks' Non-Performing Loans (“NPLs”), strengthening their balance sheets and consequently reducing average lending rates. These have also positively impacted on credit supply to the private sector, which increased by 13% to GH¢41,127million in September 2018. With banks expected to be strongly capitalised post December2018 due to BoG's requirmenet for banks to increase their minimum stated capital, plus the implementation of various BoG directives aimed at strengthening the banking sector, we expect further expansion in private sector credit in the coming year.

Exchange rates

The Ghana Cedi recorded a higher depreciation of 7.6% in the year to September 2018 compared to a 4% depreciation over the same period in 2017.

- The exchange rate posted an appreciation against the US dollar in May 2018, but depreciated by 7.6% in the period to September 2018, largely on account of external pressures, including the strengthening of the US dollar globally, the US-China trade war, and the US Fed policy rate hikes.
- Compared to other comparable emerging economies, Ghana was able to weather the storm better. The Argentina Peso depreciated by 50.2%, South Africa Rand depreciated by 15.7%, the Brazilian Real by 18.3%, the India Rupee by 11.2%, and the Turkish Lira by 42%.

Average Month End Exchange Rate - 2018



Source: BoG Monetary Time Series Data; *BoG Daily Interbank Exchange Rates

The year 2018 has seen heightened exchange rate pressures mainly due to the impact of increasing US treasury rates. The US Fed fund rate increased from 1.50% in January 2018 to 2.25% in September 2018, and in the process, attracted funds from other markets including Ghana. This effectively reduced the supply of forex to Ghana and resulted in repatriation of forex out of the economy, leading to exchange rate pressures.

Going forward, the sterilisation policy (the purchase or sale of financial instruments by Government) will continue to play a key role in holding exchange rates in check as upcoming Christmas festivities and its related demand for foreign exchange usually presents exchange rate pressures. We however expect the US$2,000 million Eurobond raised in May 2018 and the US$1,300 million cocoa syndicated loan raised in September 2018 to help absorb the anticipated exchange rate pressures during the Christmas festivities.

Outlook and projections

Government intends to achieve a growth in real GDP from a projected outturn of 5.6% for 2018 to 6.6% over the medium term (2019 to 2022). Inflation is also set to decline from 9.8% as at September 2018 to a target band of 8±2% over the medium term, whilst overall fiscal deficit is expected to remain within the fiscal rule of not more than 5% over the same period.

Macroeconomic targets for 2018:

- Overall real GDP (including oil) growth of 7.6%;
- Non-oil real GDP growth of 6.2%;
- End year inflation target of 8.0%;
- Overall fiscal deficit of 4.2% of GDP;
- Primary surplus of 1.2% of GDP; and
- Gross Foreign Assets to cover at least 3.5 months of imports of goods and services.

Summary of Macroeconomic Targets for Medium Term

Description	2018 Target	2018 Provisional	Medium Term Average Targets (2019 – 2022)
Growth in Real GDP (incl. oil)	5.6%	5.4%	7.0%
Growth in Real GDP (non-oil)	5.8%	4.6%	6.6%
End of Period Inflation (%)	8.9%	9.5%	8±2%
Overall Fiscal Budget Deficit (% of GDP)	3.7%	3.0%	5%
Gross International Reserves	not less than 3.5 months of imports cover	not less than 3.6 months of imports cover	not less than 4 months of import cover

Source: 2019 Budget Statement

Going forward, Government intends to consolidate the gains made in 2017 and 2018 by largely staying within the previous target bands for the key macroeconomic indicators. In order not to stifle growth through expenditure cuts as Government aims to achieve the fiscal deficit target of 3%-5%, there is the need to devise measures to intensify revenue mobilisation, including widening the tax net. This will provide the fiscal space for Government to spend on increasing infrastructure and providing the necessary facilitation to spur economic growth.

Tax

3

Direct Taxes

The 2019 Budget contained few direct tax policy measures and this is not surprising as Government exceeded its budget by almost 3% as at the end of the third quarter of 2018, with the expectation to exceed budget for the year. Government, heeding the calls of Ghanaians, has proposed a downward revision to the top marginal income tax rate for resident individuals. Government has also proposed measures to improve tax revenues from the mining sector.

The following are some of the measures to be instituted by Government in the direct tax area:

Changes in personal income taxes

New tax free amount and reduction in the personal income tax rate

Government proposes two main personal income tax measures. The first proposal is a reduction in the highest personal income tax rate from 35% to 30%. The chargeable income to which the top marginal rate applies will also be revised upwards from incomes in excess of GH¢10,000 (annual equivalent of GH¢120,000) to GH¢20,000 (annual equivalent of GH¢240,000). The other change is to align the tax-free amount to the 2019 monthly minimum wage.

The reduction in the highest personal income tax rate for residents will be welcomed by individuals, especially employees, whose annual chargeable income exceeds GH¢120,000. This measure will modify the 35% top marginal tax rate which was proposed during Government's 2018 Mid-Year Fiscal Policy review and which took effect from 1 August 2018.

Effective 2019, the national daily minimum wage is expected to be GH¢10.65 which translates into a monthly wage of GH¢288 (assuming 27 working days in a month). The current monthly tax-free chargeable income of GH¢261 (annual equivalent of GH¢3,132) is however pegged to the 2018 minimum wage. The proposed increase in the tax-free band reflects Government's commitment to waive income taxes for any individual who does not earn more than the monthly minimum wage. We however do not know what the revised tax table will look like.

Ordinarily, these new measures may lead to a reduction in Government's revenue from personal income taxes in comparison to what would have been collected under 35% top marginal tax. However, we believe this reduction will reduce the likelihood for tax avoidance and evasion and motivate individuals to work harder. Potential revenue losses from personal income taxes should be compensated for by improved tax compliance and administrative measures. Taxpayers are therefore encouraged to improve on tax compliance.

General mining industry tax measures

Mining industry policy proposals

Due to challenges with verification, assessment and collection of mining tax revenues, Government has made proposals to address loopholes and lapses in the administration of the taxes in the mining industry.

It appears Government has ramped up its efforts to clean up the mining industry due to perceived leakages in tax revenue and royalties. Per the 2019 Budget, 2018 provisional mineral royalties figures as at the end of the third quarter in 2018 fell short of expectations by GH¢31 million. That is a 6% adverse variance compared to a positive variance of 29% for petroleum royalties for the same period. In addition to the above, there is a view that the country has not benefited enough from its mineral resources. Government may therefore have been motivated by this view to review the tax environment for mining companies.

Government's proposed solutions to this issue include measures to protect the base of its tax and royalty receipts as well as secure additional equity holdings in the mining companies through capitalisation of tax exemptions granted to those companies. This could be part of measures to operationalise the Minerals Income Investment Fund Bill, 2018 which makes provision for the set-up of an entity to hold and manage Government's income from minerals.

Government's proposed equity holdings for the tax exemptions raises questions around the following:

- Which exemptions will qualify for conversion into equity?
- How will the value of the exemption-converted shares be determined?
- What happens to the existing mining companies that have exemptions protected by a fiscal stability agreement?
- Will there be a limit placed on exemption-converted equity stake to be held by the Government to avoid eventual assumption of controlling interest?

We recommend that Government consults extensively before implementing these measures.

Withholding tax on small-scale mining

Government proposes to shift the withholding tax point on small-scale mining operators to the point of export to simplify collection of the tax.

Small-scale mining operators are subject to 3% withholding tax on payments received for the sale of their unprocessed minerals. Although we do not know how the intended shift will be implemented, we anticipate that this policy measure may create a tax point only at the point of export. This will likely give Government some assurance on the valuation of the minerals and the income derived by such persons. However there are concerns on whether appropriate income tax will be paid by small-scale mining operators who sell their unprocessed minerals locally. We wait to see how this will be implemented to ease the administrative burden of all parties as the Minister indicated without leading to a loss in tax revenues to the state.

Indirect Taxes

The 2019 budget did not introduce new indirect tax policy measures even though revenue from taxes on domestic goods and services fell short of budget by almost 14% as at the end of the third quarter of 2018, and is expected to reduce to about 4% by the end of the year. The 2019 Budget however, makes provision for aggressive ways of administering and collecting indirect taxes which if implemented properly should help safeguard Government's forecast revenue on domestic goods and services.

The key proposals on indirect taxes for 2019 are discussed below:

Prosecution of tax evaders

Intensified tax compliance mainly on indirect taxes

Tax evasion is a crime. Deliberate undervaluation of import values, the ex-warehousing of imports from the bonded warehouses without prior payment of customs taxes, the suppression of sales, the non-issuance of VAT receipts for registered VAT businesses, the diversions of goods cleared as transit goods into the domestic market, and many other irregularities are all crimes. In 2019, Government will treat these offences for what they really are: crimes that must be prosecuted.

Government in its previous budgets has placed emphasis on tightening tax compliance measures as a means of securing tax revenues. This has led to the introduction of a number of measures aimed at reducing tax revenue losses and widening of the tax net over the last year. For instance, the Cargo Tracking Note ("CTN") system which has faced a lot of resistance from some stakeholders was introduced to seal potential revenue leakages from our ports. Also, the Customs Division of the Ghana Revenue Authority ("GRA") recently gave directives to suspend the in-bond manufacturing regime, and also banned a number of goods from qualifying for warehousing. In addition, to curb offences such as the diversion of goods intended for export back into the local market, the GRA has in recent times adopted a "name and shame" approach by publishing names of offending freight forwarders and revoking their licenses.

All these measures are aimed at reducing tax revenue leakages as a result of deferred import duties and taxes arising from the warehousing regime. Comments from Government officials have suggested that the measures have yielded some results. From the 2019 budget, it appears Government aims to take things up a notch by fully prosecuting taxpayers who flout tax laws especially indirect taxes. We expect the addition of prosecution as a compliance measure to be effective in reducing the tax revenue losses even further as it will serve as a deterrent.

Implementation of Fiscal Electronic Device Act and excise tax stamp policy

Government will speed up the implementation of various automated systems that reduce human involvement in tax administration. The Fiscal Electronic Devices to deepen VAT penetration, and the Excise Tax Stamp Policy, the harmonisation of the automated systems at our ports of entry are some of the key systems the implementation of which will be intensified in 2019.

In its 2018 budget, Government indicated that the Excise Tax Stamp Act, which was passed in 2013, would be fully implemented in 2018. Despite the teething issues, GRA on behalf of Government started the implementation of the excise tax stamp policy and ensured compliance by seizing goods that are not stamped. In line with the 2019 budget, we expect all issues to be resolved for the policy to be fully operational.

Government also indicated in the 2018 budget that Fiscal Electronic Devices (“FED”) would be deployed in 2018 to facilitate real time monitoring of VAT. The Taxation (Use of Fiscal Electronic Device) Act 2018, (Act 966) was subsequently passed in 2018. Under Act 966, initial implementation is to be rolled out over a two year period after the commencement date, a date that is yet to be announced. Based on this, our view is that if Government wants to implement the FED soon, it would need to announce the commencement date sooner to begin the two year countdown.

Government also fully implemented the paperless port clearing system and CTN to increase efficiency and compliance at the ports.

Given that these measures have all been introduced to some extent, it is not surprising that Government plans to intensify implementation in order to consolidate the gains from these measures.

Provision of support and incentives to local textile manufacturers to improve their competitiveness

Support and incentives to local textile manufacturers

New policy measures to be introduced includes providing support and incentives to local manufacturers to improve their competitiveness.

This policy is in response to agitations of local textile manufacturers and the need to revive the textile industry which has been fraught with issues of smuggling and counterfeiting.

Under the Excise Duty Act, 2014 (Act 878), textiles are subject to excise duties at a rate of 0%. However, textiles are not listed as part of the goods on which tax stamps should be affixed in the Excise Tax Stamp Act, 2013 (Act 873). We would therefore expect that the implementation of the excise tax stamp on textiles will be done either through a legislative instrument or an amendment to Act 873.

Although the implementation of the excise tax stamp on some products has faced some challenges, we expect that the lessons learned from the current regime will help to make the implementation on textiles much easier with extensive stakeholder consultations to resolve any issues.

Government has also indicated in its budget to zero-rate VAT on locally manufactured textiles for three years, aimed at making the local textile industry more competitive and attractive. We expect the necessary amendments to be passed to allow for this tax measure to be implemented. The impact of this measure will need to be analysed further to determine how it can improve the textile industry as well as create additional employment in line with Government's agenda of “building a stronger economy for jobs and prosperity”.

Introduction of tax incentives for Government's flagship programme for industrialisation, One District One Factory ("1D1F")

Tax incentives for 1D1F enterprises

The 1D1F initiative aims at establishing at least one factory in each district across the country. In order to enhance the competitiveness of 1D1F enterprises, Cabinet this year approved a package of incentives for 1D1F companies, including tax holiday, exemption from duties and taxes on imported machinery, equipment and raw materials.

The 1D1F initiative aims at achieving Government's broader objective of 'moving Ghana from taxation to production' and realising the 'Ghana beyond aid' agenda. In a bid to encourage the private sector (both local and foreign-owned) to establish enterprises under the 1D1F programme, Government plans to introduce a number of tax incentives.

In view of the fact that Government has in recent times expressed a desire to review tax incentive schemes, a lot of work needs to be done to ensure that the tax incentives granted under 1D1F yield the likely results.

Implementation of ECOWAS CET to address cross-border smuggling, combat dumping, and bring economic benefits to the people of the sub-region

Implementation of ECOWAS Common External Tariff (CET)

To improve efficiency and transparency in the exemptions regime in ECOWAS, Ghana is currently working with the ECOWAS Commission to develop policy guidelines that will provide a legal framework for the harmonisation and consolidation of all customs duty reliefs in the ECOWAS Community.

Ghana currently operates under the ECOWAS CET which provides the framework for harmonising import duties for all exports into the ECOWAS sub-region. The CET regime is intended to facilitate free trade and advance greater economic integration within the ECOWAS sub-region. Ghana adopted the implementation of the CET in 2016 with the passing into law of the Customs (Amendment) Act, 2015 (Act 905). Following the implementation, customs duties are imposed on imports into Ghana based on the rates provided in the CET.

The 2019 budget indicates a commitment to working with the ECOWAS Commission to develop policy guidelines to provide a legal framework for the harmonisation and consolidation of all customs duty reliefs.

Could this be pointing to an arrangement for the creation of a full customs union? Currently, certain imports from countries in the ECOWAS sub-region are not subject to import duties under the ECOWAS Trade Liberalisation Scheme ("ETLS"). It would be a relief for qualifying taxpayers who import under ETLS if the purpose of this policy is to remove or simplify the processes one has to go through under the ETLS.

Introduction of tax free solutions for full electric vehicles as a measure to protect the environment

Tax incentives for electric vehicles

As part of the green initiatives in line with the SDGs, Government will, in 2019, work with the Ministry of Energy, to introduce tax free solutions for Full Electrical Vehicles in order to promote a technology shift from fossil fuel based vehicles, which is a major global source of climate change gasses, and from diesel vehicles which is a significant source for local air pollution and poses significant health challenges to our people.

In recent times, Government has exhibited an increased focus on attaining the 2030 SDG's targets especially with the publication of an 'SDG Budget Baseline Report' tracking the progress of Ghana in its attainment of the SDGs through annual budgets. The proposals on full electric vehicles for instance, show a conscious attempt on Government's side to achieve SDG 13 - Climate Action. Government has announced plans to join the global move to shift from fuel-powered vehicles to electricity-powered vehicles to reduce the impact of global warming and the greenhouse effect.

While we do not expect this policy to be operational in the short term, it demonstrates Government's willingness to provide a conducive environment, mainly through tax incentives. Historically, tax reliefs have been in the form of exemptions from import duties, VAT and tax holidays. For instance, currently, electric vehicle and vehicle part imports attract import duty at 5% or 20% for new and used imports respectively. Could it be Government's intention to make these rates 0%? In an era where common external tariffs have been introduced for ECOWAS states, is Government able to unilaterally grant these exemptions without extensive negotiations?

The 2019 Budget noted that Ghana is attracting international car makers such as Nissan, Volkswagen and Sinotruk to set up auto assembly plants in the country. With Nissan and Volkswagen being manufacturers of electric cars (the Nissan Leaf model and the VW e-Golf and e-Up series), this could be a major move to have these big players in the car manufacturing industry consider setting up electric car making plants in Ghana. However, in granting these exemptions, Government must take care to avoid the situation where there is the need to review these exemptions in the future.

General Administrative Measures

The Minister of Finance outlined a number of tax-related administrative measures to be pursued in 2019. The measures seek to broaden the tax base, increase Government's revenue, improve enforcement of the tax laws and increase the efficiency of the GRA.

Reform of revenue institutions

Reforming GRA and effecting changes aimed at boosting GRA's performance

The Government intends to retool the GRA and effect changes in its management and personnel. This measure is aimed at boosting GRA's performance, improving the work ethics of its workforce, and addressing irregularities and revenue leakages associated with GRA's operations.

Recent media reports have revealed instances of collusion between GRA staff and some taxpayers to evade tax. The intended reform at GRA comes at a good time to help seal revenue leakages. It is expected that these changes will sanitise tax administration in the country and encourage taxpayers to willingly comply with the respective tax laws.

We envisage that the retooling of GRA will include the use of technology to streamline tax administration, enhance accountability, and make compliance by taxpayers easier. Hopefully, upon the full implementation of these reforms, taxpayers will spend less time in filing returns and paying taxes.

Broadening the tax net

Continued efforts to broaden the tax net through Tax Identification numbers (TIN)

The Revenue Administration Act, 2016 (Act 915) ("RAA") lists many services and transactions that cannot be accessed by individuals without a TIN. Unfortunately, compliance with these requirements have been low. In 2019, Government intends to apply sanctions to state and private entities that fail to enforce these TIN requirements. Government further seeks to impose a requirement for individuals or their guardians to have TINs before accessing social services and benefits provided by the state.

The TIN registration has been a key measure aimed at broadening the tax net. In recent years, many individuals have registered for TINs and GRA has provided much assistance in facilitating this. For example, it is now possible for taxpayers to verify their TINs on GRA's website. It is further expected that full implementation of the TIN related provisions of the Revenue Administration Act ("RAA") will result in yet more people registering for TINs.

It is however important to note that registration for TINs does not necessarily translate into higher Government revenues. It only makes GRA aware of the existence of a taxpayer. Additional measures will have to be put in place to ensure that taxpayers file returns and pay their taxes to improve revenue performance.

Broadening the tax net

Continued efforts to broaden the tax net through use of third party data

Government intends to use data generated by the National Identification Authority and other sources to enhance tax revenue collection. In 2019 and beyond, the Government plans to use third party data in databases belonging to both private and public sector institutions such as DVLA, SSNIT and financial institutions to rope more persons into the tax net and tax them accordingly.

This initiative is laudable considering the wealth of information that some state and private institutions hold, and the potential for this information to aid GRA check non-compliance with tax laws.

The extent to which GRA will benefit from data obtained from third parties will depend on their data analytics capability and the software infrastructure that GRA has in place to derive insights from the data. In many jurisdictions, tax authorities are now able to conduct automated tax audits and issue tax assessments. It remains to be seen whether Government will, as part of its efforts to retool GRA, equip it with similar capabilities. There are however concerns that come with third parties giving data to a tax authority. For example, does GRA have sufficient controls and systems in place to maintain confidentiality of information obtained from these third parties? Will the handing over of information to GRA by private institutions dissuade their customers from doing business with them? And, are there adequate practical measures in place to prohibit GRA staff from using the information accessed for other purposes other than ensuring tax compliance?

The role of NABCO in revenue mobilisation

Deployment of Nation Builder's Corps ("NABCO")

Government plans to deploy 10,000 NABCO officers to aid in revenue mobilisation.

This measure will give GRA much needed manpower to carry out its mandate and free up skilled GRA officers to undertake more technical revenue administration functions such as tax audits and tax investigations.

It is worth noting that certain statutory obligations and responsibilities in the RAA, such as official secrecy associated with GRA officers, will automatically extend to the assigned NABCO officers. These officers must be trained to uphold these obligations and responsibilities.

Reform of tax exemptions

Reform of tax exemption regime

A number of studies conducted on Ghana's tax exemption and relief regime indicate that the exemptions and reliefs are not sustainable and do not produce the desired economic benefits. Government intends to reform the tax exemption and relief regime as a way to optimise its benefit to the economy and ensure that Government does not unduly lose revenue.

In the last quarter of 2018, we have already seen GRA take several actions to limit abuse of some exemptions and preferential regimes within its ambit. For example, the in-bond manufacturing regime has been suspended and is being reviewed, bonded warehousing of some goods (tomato paste, cooking oil, canned fish, etc.) have been prohibited, and duty free shops are required to pay duties and later seek refunds.

Such reviews of exemption and relief regimes are well intended and aimed at avoiding abuse and enhancing tax compliance. However, in many instances, implementing these wide-spread reforms results in compliant taxpayers being punished for the non-compliance of other taxpayers. It is important for these reforms to be undertaken in a way so as not to deprive compliant taxpayers of well-deserved reliefs and advantages.

Further, if as part of the reform, exemptions and reliefs given to businesses are discontinued, it may result in Ghana being viewed less favourably as an investment destination. This is especially so where neighbouring countries provide similar or better tax exemptions and reliefs for investors. It is important for Government to take a holistic approach in implementing this measure.

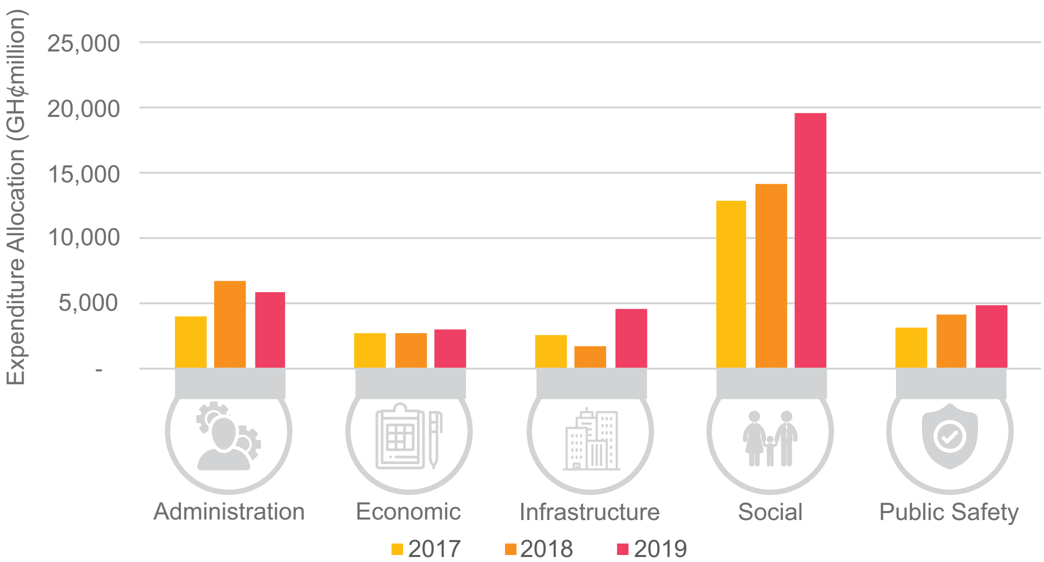
Sectoral Outlook

4

Sectoral Outlook Overview

The Sectoral Outlook highlights the key Government activities and interventions to achieve the budget theme of “A Stronger Economy for Jobs and Prosperity”. It is composed of five main sectors namely: Administration, Economic, Infrastructure, Social, and Public Safety. The expenditure allocation contained in the 2019 Budget Statement and the preceding budget statements of 2018 and 2017 for these sectors is shown in the graph below:

Sectoral Expenditure Allocation



2018
GH¢29,782 million

28% Increase

2019
GH¢38,154 million

The above appears to be consistent with Government's various social interventions and infrastructure agenda planned for the year. The allocation reflects Government's key pillars of the 2019 Budget as indicated below.

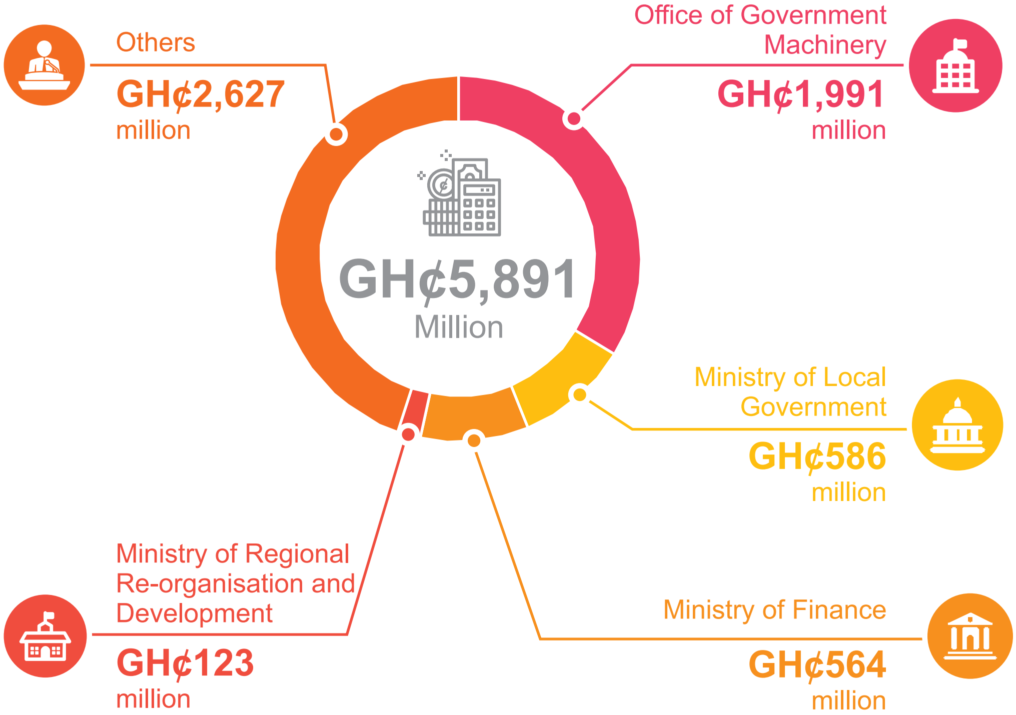
- Infrastructure
- Agriculture modernisation
- Industrialisation
- Entrepreneurship
- Improving efficiency in revenue mobilisation
- Social intervention

In this section of our report, we set out details of Government's key initiatives and spending plans in 2019 for the five sectors.

ADMINISTRATION SECTOR

Key Ministries

Budget Allocation



Office of Government Machinery ("OGM")

Institutions under OGM will carry out the following:

- Microfinance and Small Loans Centre ("MASLOC") will disburse personal and group loans to 3,795 and 51,485 beneficiaries respectively, as well as procure 1,913 tricycles and hire 603 vehicles
- The Office of the Senior Minister will continue its nationwide education and sensitisation campaign on the National Public Sector Reform Strategy ("NPSRS"), targeting key stakeholders
- The Scholarship Secretariat will provide 107,702 scholarships to brilliant but needy students in secondary and tertiary institutions
- The Internal Audit Agency will conduct quality assurance reviews and undertake field inspections and evaluation of internal control systems of Ministries, Departments and Agencies (MDAs) and Metropolitan Municipal and District Assemblies (MMDAs)

The 2019 budget allocation for the OGM increased by 2% from GH¢1,942 million in 2018 to GH¢1,991 million.

Government's plan to develop Micro and Small Enterprises (MSEs) through access to institutional credit facilities is encouraging. In addition, building the capacity of the youth in technical and engineering skills for the industrialisation agenda is in the right direction.

Ministry of Finance ("MoF")

MoF intends to pursue a number of policies, many of which are a continuation of policies initiated in the previous budget. For 2019, MoF plans to undertake the following:

- Pre-enumeration activities and a trial census prior to the main census in 2020
- Improve accounting of internally generated fund collections with the procurement of a new electronic solution
- Pass draft regulations for the Public Financial Management Act, 2016, (Act 921) ("PFMA")
- Implement the budget module of the Ghana Integrated Financial Management Information System ("GIFMIS")
- Implement the outsourcing of payroll management on a pilot basis
- Implement recommendations of Parliament in respect of the report of the Auditor-General, such as debt recovery, health check of the GIFMIS, etc.

Budgeted expenditure for MoF has dropped by 24% from GH¢744 million in 2018 to GH¢563 million in 2019. This is the lowest budgetary allocation for three years spanning 2017 to 2019 and is due to a major decrease in the allocation for goods and services for the Ministry.

The desired outcome of the initiatives is to block revenue leakages, intensify tax compliance, broaden the tax base and manage expenditures. Given the current revenue challenges, it would be beneficial if Government keeps to its plan.

Others

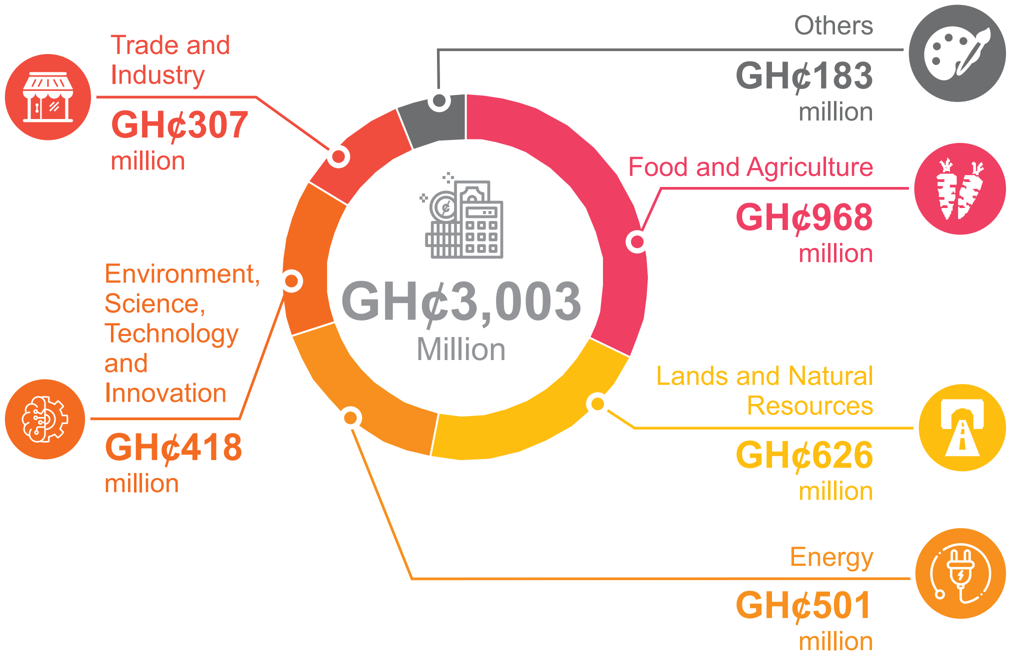
Key Government initiatives, which the other Ministries will implement, are:

- Facilitate the district level elections for Assembly and Unit Committee Members.
- Establish the District Centres of Agriculture, Commerce and Technology ("DCACT")
- Retool and upgrade two Community Development Vocational and Technical Institutes ("CDVTIs"), to provide technical and vocational education for 3,000 youth and build the capacity of 1,000 social workforce in child and family welfare under the child protection programme

ECONOMIC SECTOR

Key Ministries

Budget Allocation



* Others include:
Ministry of Tourism, Culture and Creative Arts (GH¢75 million)
Ministry of Fisheries and Aquaculture Development (GH¢59 million)
Ministry of Business Development (GH¢49 million)

Ministry of Energy

The key initiatives include:

- Connect 1250 communities to the national grid under the Rural Electrification Programme ("REP")
- Increase the penetration of renewable energy in the energy mix through the provision of 100,000 units of solar lanterns for distribution
- Implement and upgrade 161kV Aboadze-Takoradi project, 161kV Takoradi-Tarkwa-New Tarkwa-Prestea project and 330kV A4BSP Pokuase - Nkawkaw-Anwomaso project
- Continue the Rural LPG Promotion Programme
- Implement the Petroleum Hub Master Plan for refined petroleum products
- Operationalise the Local Content Fund to provide financial resources to small and medium scale enterprises

The Ministry of Energy ("MoE") has been allocated GH¢501 million in 2019 compared to GH¢914 million in 2018, representing a 45% decrease largely due to a decrease in donor funding. Significant components of the budget allocation are renewable energy initiatives the government intends to undertake in 2019.

Government's Industrialisation Agenda hinges on reliable cheap sources of power. In that regard, Government should continue to pursue its programme of nationwide coverage and pursue alternative power generation from renewable energy sources. Government's decision to partner with the private sector in manufacturing, assembling of renewable energy products and petroleum refinery is a laudable idea since this will create employment opportunities.

Ministry of Food and Agriculture ("MoFA")

Government's key initiatives under MoFA include:

- Launch of the livestock model of Planting for Food and Jobs ("PFJs") called "Rearing for Food and Jobs" ("RFJ")
- Launch of Planting for Exports and Rural Development ("PERD") model of PFJs
- Establishment of two facilities worth US$216 million for the importation of farm machinery and equipment
- Construction of 30 new warehouses to augment the country's storage capacity
- Establishment of cattle ranches in selected locations to address persistent conflict between Fulani herdsmen and food crops farmers

In 2018, GH¢599 million was allocated to the Ministry compared to a GH¢968 million allocation in 2019, representing an increase of 62%. The significant increase in the 2019 allocation is attributable to increased investments in the various models of the flagship PFJs.

Given that about 34% of the Ghanaian workforce is in agricultural sector, Government should focus on intensifying production in agriculture by modernising the value chain activities. The likely impact will be creation of jobs and improvement in livelihoods. In addition, diversified and reliable agriculture production will form a very important base for sustaining the industrialisation drive.

Ministry of Trade and Industry ("MoTI")

The key initiatives include:

- Mobilise an estimated US$1 billion from various funding sources for small, medium and large scale enterprises to accelerate the industrial transformation agenda including the 1D1F programme
- Extend the tax stamp policy to textile products to curtail smuggling and counterfeiting
- Establish an assembling and manufacturing plant for tractors and modern agricultural equipment under the African-Polish Cooperation Framework
- Seek Public-Private Partnership in developing selected industrial parks under the One Region One Park initiative
- Launch a comprehensive automotive industry policy to provide clear and consistent guidelines and regulations for the industry
- Complete the construction of five new Rural Technology Facilities ("RTFs")
- Implement business regulatory reforms including an online registry to improve Ghana's performance in the Doing Business Index

In 2018, an amount of GH¢419 million was allocated to the Ministry compared to an allocation of GH¢307 million in 2019. The 27% drop in budget allocation is mainly driven by decline in capital expenditure as government is seeking to partner the private sector to develop infrastructure.

Government should continue to work with private financiers to provide additional support for industrialisation through the stimulus package for distressed industrial businesses. The action of engaging the private sector in developing the industrial parks, 1D1F and the automotive industry should be expedited to support creation of job opportunities.

Others

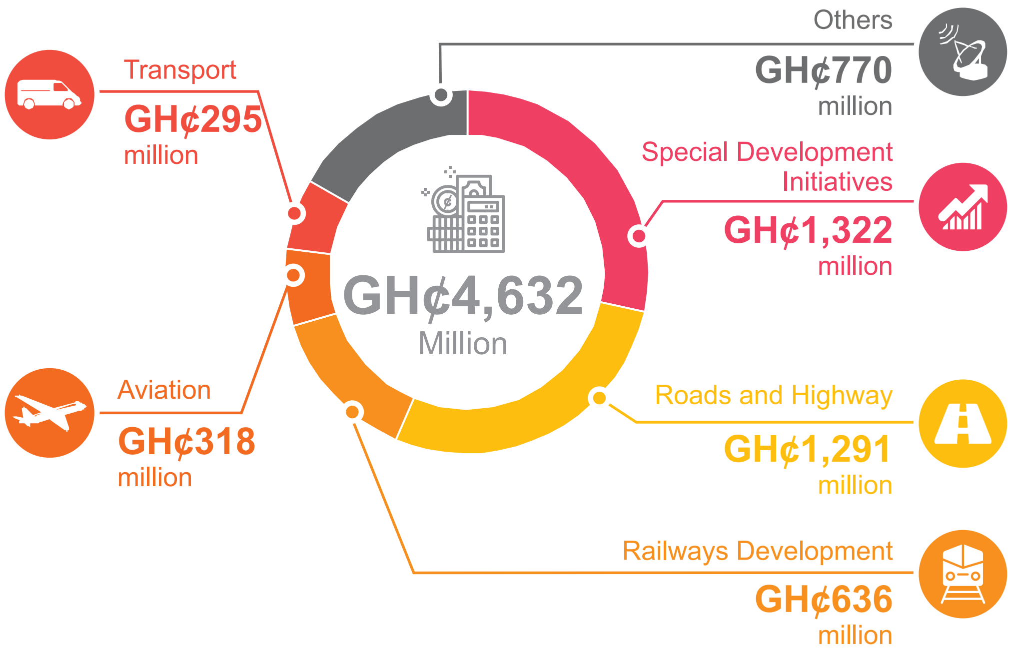
Key Government initiatives by the other Ministries include:

- Finalise the Plastic Management Policy and its implementation plan in 2019
- Provide training to 10,000 entrepreneurs and financial support to 2,000 beneficiaries
- Construct 100 Green Houses in line with government's agriculture transformation programme

INFRASTRUCTURE SECTOR

Key Ministries

Budget Allocation



* Others include: Ministry of Works and Housing (GH¢264 million), Ministry of Water Resources and Sanitation (GH¢247 million), Ministry of Commutation (GH¢150 million), and Ministry of Inner-City and Zongo Development (GH¢110 million)

Government intends to increase its infrastructure budgetary allocation in 2019 to GH¢4,632 million from GH¢1,804 million in 2018. This increase is primarily driven by Government's agreement with Sinohydro Corporation Limited to offer refined bauxite in exchange for US$2 billion of funding for roads, rail and other infrastructure. This is intended to significantly bridge the infrastructure funding gap in the country.

Ministry of Roads and Highways

The Ministry's key initiatives for 2019 are to:

- Construct 1,150 km of new key roads
- Undertake routine maintenance of 42,500 km of trunk, feeder and urban roads
- Increase rehabilitation works from 460 km in 2018 to 515 km in 2019, representing a 12% increase
- Negotiate the construction of many roads, bridges and interchanges, as part of a plan to engage Sinohydro Corporation Limited
- Continue the Public Private Partnerships (“PPP”) programme to deliver the Accra – Takoradi, Accra – Tema Motorway and the Accra – Kumasi Dualisation projects

Government of Ghana (“GoG”) has allocated GH¢1,291 million to the Ministry of Roads and Highways compared to an allocation of GH¢533 million in 2018, representing a very significant increase of 142%.

Government's expenditure allocation will ensure a more reliable and extensive road network. This will improve accessibility and prospects of creating jobs and sustaining economic growth. Government should ensure that road projects are integrated with other modes of transport in order to meet Government's agenda of using Ghana as a transportation and logistics hub in West Africa.

Ministry of Railways Development

The Ministry's key initiatives for 2019 are to:

- Complete rehabilitation works for the existing 56 km narrow gauge line from Kojokrom to Tarkwa through Nsuta corridor
- Complete the construction of the Western Line from Manso to Kumasi, with a branch line from Awaso to Dunkwa
- Commence the first phase of the proposed 596 km Railway Line from Kumasi to Paga
- Select a Concessionaire to construct the rail link between Tema Port and Ouagadougou
- Complete feasibility studies for:
  - The development of Metro/Light Rail Transit Systems in Accra and Kumasi
  - The Trans-ECOWAS line from Aflao through Cape Coast to Elubo
  - The Re-development of the Central Line from Kotoku in the Greater Accra Region to Huni Valley in the Western Region.

The 2019 budgetary allocation for the Ministry of Railways is GH¢636 million, compared to 2018 budget of Gh¢544 million, representing an increase of 17%.

Activities envisaged for 2019 in the railway sector seek to facilitate transportation of containers, bulk cargo, minerals and passengers as well as open up trans-border trade with neighbouring countries. Most of the projects are likely to be funded from the Sinohydro facility and PPP arrangements. These projects should provide jobs and build the capacity of local firms in the construction of railway facilities.

Others

The other ministries consist of Ministries of Water Resources and Sanitation, Works and Housing, Communication, Aviation, Transport, Special Development Initiatives, Inner-City and Zongo Development. Some key initiatives in respect of these ministries are:

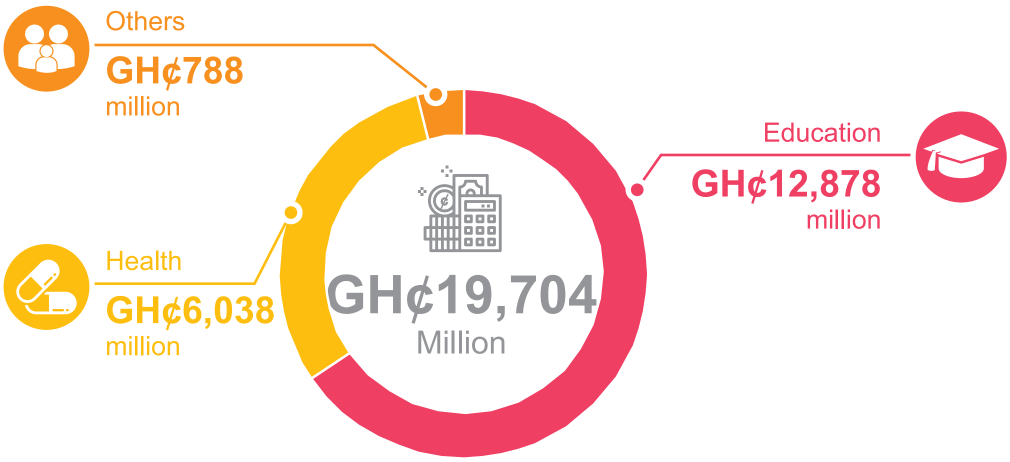
- Commence coastal protection works in various coastal areas across the country
- Implement the Elmina Fishing Port Rehabilitation and Expansion project
- Construct transfer stations and additional Landfill Cells within the Greater Accra Metropolitan Area
- Support the Development Authorities to deliver their projects across the Northern, Middle Belt and Coastal Development Zones

A budgetary allocation of GH¢1,322 million in the 2019 budget for the Ministry of Special Development Initiatives of which GH¢1,127 million has been allocated to the three Development Authorities to implement infrastructure projects at the constituency levels when implemented will improve the livelihood of the people in these areas.

SOCIAL SECTOR

Key Ministries

Budget Allocation



* Others include Ministry of Gender, Children and Social Protection (GH¢493 million),
Ministry of Employment and Labour Relations (GH¢157 million),
National Commission for Civic Education (GH¢46 million),
Ministry of Youth and Sports (GH¢44 million),
Ministry of Chieftaincy and Religious Affairs (GH¢43 million),
National Labour Commission (GH¢5 million).

Ministry of Education (“MoE”)

Key Government initiatives under this Ministry include:

- Continue the implementation of the Free Senior High School (“SHS”) policy
- Provide continuous professional training for all licensed teachers
- Rehabilitate 50 'collapsing' basic and second cycle school structures
- Complete stalled building projects in the SHSs to expand capacity in line with increasing demand for secondary education
- Commence work on the upgrade of SHSs in 42 districts into Model Schools
- Commence the construction of 20 state-of-the-art Technical, Vocational Education and Training (“TVET”) Centres as well as upgrade and retool 34 Vocational Training Institutes
- Roll out of the Basic Science, Technology, Engineering and Mathematics (“STEM”) programme in 7,000 basic schools across the country and construct ten STEM Centres
- Commence establishment of the University of Environment and Sustainable Development as a centre of excellence in Agriculture and Engineering

The Ministry of Education's 2019 budget allocation of GH¢12,878 million has increased significantly by 39% compared to GH¢9,259 million in 2018. The increase is largely due to the re-allocation of the Free SHS budget from the Office of Government Machinery to the Ministry of Education, as well as an increase in planned spend on education infrastructure.

The significant allocation to the SHS budget reiterates GoG's commitment to ensuring the successful implementation of the Free SHS policy. Investment in infrastructure at the Senior High Schools should help expand their capacity to meet the growing demand for secondary education. This may also shorten the 'lifespan' of the arrangements for the temporary double track system.

Ministry of Health ("MoH")

Key initiatives include the following:

- Develop a hospital strategy to classify the types of hospitals in the country to improve access to quality health care delivery
- Commence the process for upgrading the Hohoe Municipal Hospital to a Regional Hospital
- Commence the construction of one district hospital and five polyclinics in the Western Region
- Construct 15 Community Health Planning Services ("CHPS") Compounds in five regions
- Introduce a verification system for the online admission registration process to reduce ineligible applications
- Continue to develop Legislative Instruments ("LIs") for the Health Acts that are without LIs to strengthen their functionality and operation

The budget for the Ministry increased by 37% from GH¢4,422 million in 2018 to GH¢6,038 million in 2019. The health sector budget represents 8% of the total budget for 2019, largely in line with 7% recorded in 2018. Development Partners' ("DPs") support to the Ministry is expected to increase from GH¢414 million in 2018 to a projected GH¢796 million, representing an increase of 92%.

Health care continues to be a challenge. These initiatives should create an expansion of the available facilities and offer better health care. However, the success of these key social interventions will depend on Government's ability to engage, train and retain the health workers across the country.

Others

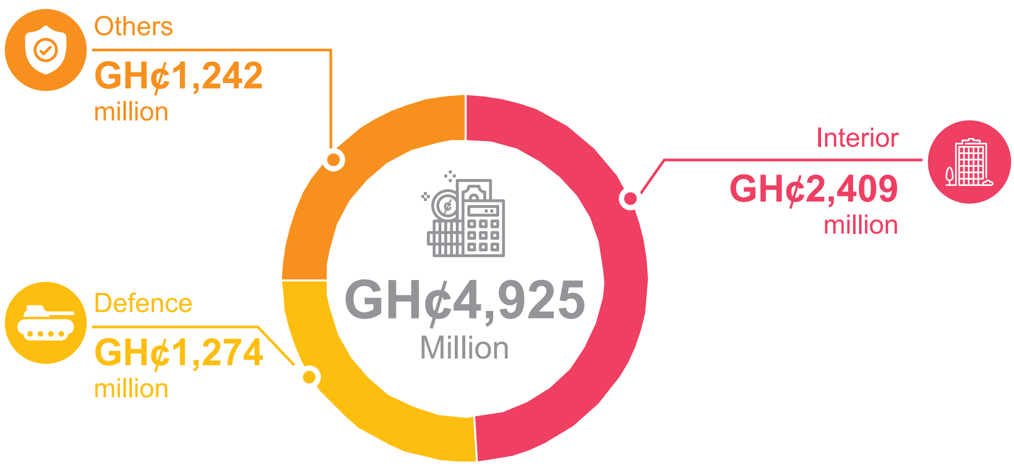
Key Government initiatives, which the other ministries and agencies under the social sector will implement include:

- Re-activate the Ghana Child Labour Monitoring Information System ("GCLMIS")
- Create the job centre linked with the Ghana Labour Market Information System ("GLMIS")
- Facilitate the formation of more youth farmer groups under the Youth Livelihood Farms
- Commence the implementation of the Ghana National Action Plan ("GHANAP 2") on the UN Resolution 1325 on Women, Peace and Security

PUBLIC SAFETY

Key Ministries

Budget Allocation



*Others include:
Ministry of National Security (GH¢555 million)
Judicial Service (GH¢339 million)
Ministry of Justice and Attorney General's Department (GH¢136 million)
CHRAJ (GH¢32 million)
Office of the Special Prosecutor (GH¢180 million)

Ministry of Interior

Key initiatives for this Ministry include:

- Educate institutions and communities on disasters and strengthen early warning and response mechanisms for disasters
- Facilitate the speedy passage of the Non-Custodial Sentence Bill into law to help improve security procedures and safety as well as modernise infrastructure
- Procure a Central Electronic Monitoring System (“CEMS”) and intensify monitoring of gaming operations to increase mobilisation of non-tax revenue

The Ministry's allocation increased by 7% from GH¢2,261 million in 2018 to GH¢2,409 million in 2019. This increment is mainly due to compensation of employee's (i.e. GH¢2,232 million), representing a 93% of the allocated budget for this year.

Government's initiatives are aimed at enhancing public safety for all. However, in view of the continued threats of conflicts, seasonal flooding and armed robbery activities, Government should expedite action to implement the above initiatives to improve public safety.

Others

Key initiatives for the other Ministries are:

- Continue to provide surveillance for Ghana's airspace and international borders, continue with the Operation ROADSTAR and Alavanyo and Nkonya Projects as well as the establishment of a Forward Operating Base ("FOB") for the security of the oil industry
- Amend L.I. 1332 to change the length of service of the men and women of the other ranks of the Ghana Armed Forces ("GAF") from 25 to 30 years
- Prevent violence and combat terrorism and crime within the subregion by acquiring lands at Peduase, Bawa Barracks, Daboya and Shai Hills for the establishment of Special Forces Units to counter terrorism
- Undertake 5,000 public education and sensitisation activities in response to public demand for better service delivery.

Appendix and glossary

5

Appendix

Summary of Central Government Revenue 2018-2019

Government Revenue Millions of Ghana Cedis	2018 (A) Budget GH¢ million	2018 Projected Outturn (B) GH¢ million	2019 Budget (C) GH¢ million	Variance (F=C-A) GH¢ million	Variance (G=B-A) GH¢ million
TAX REVENUE	**38,243.50**	**37,749.26**	**47,842.67**	**9,599.17**	**-494.24**
TAXES ON INCOME & PROPERTY	**16,278.91**	**16,995.44**	**22,185.22**	**5,906.31**	**716.53**
Personal	6,012.69	5,940.20	7,586.46	1,573.77	-72.49
Self Employed	489.41	405.39	479.87	-9.54	-84.02
Companies	6,856.33	7,208.01	9,355.35	2,499.02	351.68
Company Taxes on Oil	0.00	529.27	1,254.23	1,254.23	529.27
Others	2,920.48	2,912.57	3,509.31	588.83	-7.91
Other Direct Taxes	2,154.65	2,193.05	2,602.16	447.51	38.40
o/w Royalties from Oil	879.70	1,215.70	1,141.18	261.48	336.00
o/w Mineral Royalties	766.37	692.98	1,027.21	260.84	-73.39
National Fiscal Stabilisation Levy	263.22	256.91	339.54	76.32	-6.31
Airport Tax	502.61	462.61	567.61	65.00	-40.00
TAXES ON DOMESTIC GOODS AND SERVICES	**16,889.75**	**16,245.06**	**18,239.66**	**1,349.91**	**-644.69**
Excises	**3,836.54**	**3,788.86**	**4,102.16**	**265.62**	-47.68
Excise Duty	544.94	398.09	632.20	87.26	-146.85
Petroleum Tax	3,291.60	3,390.77	3,469.96	178.36	99.17
o/w Energy Fund Levy	31.41	55.97	35.73	4.32	24.56
o/w Road Fund Levy	1,331.42	2,460.98	1,514.24	182.82	1,129.56
VAT	**10,834.34**	**8,885.71**	**9,923.59**	**-910.75**	**-1,948.63**
Domestic	4,506.86	4,122.94	4,894.03	387.17	-383.92
External	6,327.48	4,762.77	5,029.56	-1,297.92	-1,564.71
National Health Insurance Levy (NHIL)	**1,814.85**	**1,605.81**	**1,895.10**	**80.25**	**-209.04**
Customs Collection	1,011.43	812.98	959.56	-51.87	-198.45
Domestic Collection	803.42	792.83	935.54	132.12	-10.59
GETFund Levy	**0.00**	**1,605.81**	**1,895.10**	**1,895.10**	**1,605.81**
Customs Collection	**0.00**	812.98	**959.56**	959.56	812.98
Domestic Collection	**0.00**	792.83	**935.54**	935.54	792.83
Communication Service Tax	**404.02**	**358.87**	**423.71**	**19.69**	**-45.15**

Appendix

Summary of Central Government Revenue 2018-2019

Government Revenue Millions of Ghana Cedis	2018 Budget (A) GH¢ million	2018 Projected Outturn (B) GH¢ million	2019 Budget (C) GH¢ million	Variance (D=C-A) GH¢ million	Variance (E=B-A) GH¢ million
TAXES ON INTERNATIONAL TRADE	**6,712.92**	**6,374.91**	**7,417.79**	**704.87**	**-338.01**
Imports	**6,712.92**	**6,374.91**	**7,417.79**	**704.87**	**-338.01**
Import Duty	6,712.92	6,374.91	0.00	-6,712.92	-338.01
Exports	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
o/w Cocoa	0.00	0.00	0.00	0.00	0.00
Tax Refund	**-1,638.08**	**-1,866.15**	**-2,572.49**	**934.41**	**-228.07**
SOCIAL CONTRIBUTIONS	**419.06**	**472.95**	**485.91**	**66.85**	**53.89**
SSNIT Contributions to NHIL	419.06	472.95	485.91	66.85	53.89
NON -TAX REVENUE	**8,047.22**	**6,430.29**	**9,570.34**	**1,523.12**	**- 1,616.93**
Retention	3,761.24	3,105.14	4,426.57	665.33	-656.10
Lodgement	4,285.98	3,325.15	5,143.77	857.79	960.83
Fees & Charges	577.36	572.54	674.23	96.87	-4.82
Dividend/Interest & Profits (Others)	275.50	134.52	85.07	-190.43	-140.98
Dividend/Interest & Profits from Oil	1,636.11	2,409.19	3,028.46	1,392.35	773.08
Surface Rentals from Oil/PHF Interest	7.63	12.06	5.69	-1.94	4.43
Gas Receipts	683.69	0.00	0.00	-683.69	-683.69
Taxes on Property	150.00	0.00	150.00	0.00	-150.00
Licences	699.47	0.00	0.00	-699.47	-699.47
Environmental Levy	0.00	0.00	598.13	598.13	0.00
Cocobod	0.00	0.00	0.00	0.00	0.00
Fees from Mineral Export	0.00	0.00	320.00	320.00	0.00
Luxury Vehicle Levy	0.00	112.39	0.00	0.00	112.39
Yield from Capping Policy	256.22	84.44	282.20	25.98	-171.78
OTHER REVENUE	**2,104.48**	**1,382.13**	**2,468.56**	**-1,822.28**	**-722.35**
ESLA Proceeds	2,104.48	1,382.13	2,468.56	364.08	-722.35
Energy Debt Recovery Levy	1,364.01	1,251.68	1,609.99	245.98	-112.33
Public Lighting Levy	204.04	0.00	247.66	43.62	-204.04
National Electrification Scheme Levy	134.68	0.00	160.25	25.57	-134.68
Price Stabilisation & Recovery Levy	401.75	130.45	450.65	48.90	-271.30
DOMESTIC REVENUE	**48,814.26**	**46,034.63**	**57,794.99**	**6,794.37**	**-2,779.63**
GRANTS	**586.77**	**773.22**	**1,109.87**	**523.10**	**186.45**
Project Grants	586.77	760.05	1,052.15	465.38	173.28
Programme Grants	0.00	13.17	57.72	57.72	13.17
TOTAL REVENUE & GRANTS	**49,401.03**	**46,807.85**	**58,904.86**	**9,503.83**	**-2,593.18**

Appendix II

Summary of Central Government Expenditure 2018-2019

EXPENDITURE	2018 Budget (A)	2018 Projected Outturn (B)	2019 Budget (C)	Variance (F=C-A)	Variance (G=B-A)
Compensation of Employees	**19,595.13**	**19,835.30**	**22,837.99**	**3,242.86**	**240.17**
Wages and Salaries	16,762.30	17,485.82	19,436.59	2,674.29	723.52
Social Contributions	2,832.83	2,349.48	3,401.40	568.57	-483.35
Pensions	1,005.74	946.41	1,243.94	238.20	-59.33
Gratuities	385.53	190.63	388.73	3.20	-194.90
Social Security	1,441.56	1,212.44	1,768.73	327.17	-229.12
Use of Goods and Services	**3,532.48**	**4,561.94**	**6,333.41**	**2,800.93**	**1,029.46**
o/w ABFA	463.91	656.12	723.05	259.14	192.21
Interest Payments	**14,909.85**	**14,917.66**	**18,645.70**	**3,735.85**	**7.81**
Domestic	12,165.24	12,127.33	14,504.88	2,339.64	-37.91
External (Due)	2,744.61	2,790.33	4,140.82	1,396.21	45.72
Subsidies	**171.98**	**0.00**	**180.26**	**8.28**	**-171.98**
Subsidies to Utility Companies	0.00	0.00	0.00	0.00	0.00
Subsidies on Petroleum Products	171.98	0.00	180.26	8.28	-171.98
Grants to Other Government Units	**12,046.04**	**10,756.23**	**13,798.47**	**1,752.43**	**-1,289.81**
National Health Fund (NHF)	1,814.54	1,845.07	1,692.68	-121.86	30.53
Education trust Fund	924.80	1,078.98	1,206.76	281.96	154.18
Road Fund	881.42	479.66	964.24	82.82	-401.76
Petroleum Related Funds	20.80	10.92	22.75	1.95	-9.88
Dist. Ass. Common Fund	1,840.60	1,758.60	2,079.43	238.83	-82.00
Retention of Internally Generated Funds	3,761.24	2,705.14	4,426.57	665.33	-1,056.10
Transfer to GNPC from Oil revenue	998.02	1,041.84	1,264.95	266.93	43.82
Other Earmarked Funds	1,804.62	1,836.02	2,141.09	336.47	31.40
Social Benefits	**257.49**	**26.99**	**95.62**	**-161.87**	**-230.50**
Lifeline Consumers of Electricity	89.12	26.99	95.62	6.50	-62.13
Transfers for Social Protection	168.37	0.00	0.00	-168.37	-168.37
Other Expenditure	**2,104.48**	**1,386.87**	**2,288.29**	**183.81**	**-717.61**
ESLA Transfers	2,104.48	1,386.87	2,288.29	183.81	-717.61
Tax refund	**0.00**	**100.00**	**0.00**	**0.00**	**100.00**
Capital expenditure	**6,896.30**	**5,479.76**	**8,531.02**	**1,634.72**	**-1,416.54**
Domestic Financed	**3,339.11**	**1,470.75**	**3,222.21**	**-116.90**	**-1,868.36**
o/w GIIF	0.00	0.00	0.00	0.00	0.00
o/w ABFA	1,082.46	1,148.21	1,265.34	182.88	65.75
Foreign financed	**3,557.19**	**4,009.01**	**5,308.81**	**1,751.62**	**451.82**
Other Outstanding Expenditure Claims	0.00	0.00	0.00	0.00	0.00
TOTAL EXPENDITURE	**59,513.75**	**57,064.75**	**72,710.76**	**13,197.01**	**-2,449.00**
APPROPRIATION	**65,641.88**	**62,701.05**	**78,771.84**	**13,129.96**	**-2,940.83**
Total Expenditure	59,513.73	57,064.76	72,710.77	13,197.04	-2,448.97
Arrears (net change)	858.46	858.46	730.00	-128.46	0.00
Amortisation	5,269.69	4,777.83	5,331.07	61.38	-491.86

Glossary

Abbreviation	Meaning
1D1F	One-District-One-Factory
1R1P	One Region One Industrial park programme
AAPET	Akufo-Addo Program for Economic Transformation
ABFA	Annual Budget Funding Amount
AGOA	African Growth Opportunities Act
AMSECs	Agriculture Mechanisation Service Enterprise Centres
BoG	Bank of Ghana
BPO	Business Process Out-sourcing
BPU	Border Patrol Unit
CDA	Coastal Developmental Authority
CDVTIs	Community Development Vocational and Technical Institutes
CEMS	Central Electronic Monitoring System
CET	Common External Tariff
C-G	Commissioner - General
CHPS	Community Health Planning and Services
CHRAJ	Commission on Human Rights and Administrative
CIF	Cost, Insurance and Freight
COCOBOD	Ghana Cocoa Board
CTN	Cargo Tracking Note
CWE	China International Water & Electric Corporation
D4I	Digital for inclusion
DCACT	District Centres of Agriculture, Commerce and Technology
DMBs	Deposit Money Banks
Dps	Development Partners
DSA	Debt Sustainability Analysis
DV	Domestic Violence
DVLA	Driver and Vehicle Licensing Authority
ECF	Extended Credit Facility
ECG	Electricity Company of Ghana
ECOWAS	Economic Community of West African States
EMDEs	Emerging Markets and Developing Economies
ESLA	Energy Sector Levy Act
FC	Fiscal Council
FDI	Foreign Direct Investment
FED	Fiscal Electronic Device

Glossary

Abbreviation	Meaning
FPSO	Floating Production Storage and Offloading
FSC	Financial Stability Council
FSHS	Free Senior High School
FSR	Financial Stability Report
GAF	Ghana Armed Forces
GCE	Ghana Commodity Exchange
GCLMIS	Ghana Child Labour Monitoring Information System
GCX	Ghana Commodity Exchange
GDP	Gross Domestic Product
GES	Ghana Education Service
GHANAP 2	Ghana National Action Plan
GIADEC	Ghana Integrated Aluminium Development Corporation
GIFMIS	Ghana Integrated Financial Management Information System
GIPC	Ghana Investment Promotion Centre
GIS	Geographic Information System
GITC	Ghana International Trade Commission
GLMIS	Ghana Labour Market Information System
GoG	Government of Ghana
GRA	Ghana Revenue Authority
GRATIS	Ghana Regional Appropriate Technology Industrial Service
GSE	Ghana Stock Exchange
GSGDA	II Ghana Shared Growth and Development
HOTCATT	Hotel Tourism and Catering Training Institute
ICT	Information and Communication Technology
IMF	International Monetary Fund
IMFECF	IMF's three-year Extended Credit Facility
IPEP	Infrastructure for Poverty Eradication Programme
IT	Information Technology
LEAP	Livelihood Empowerment Against Poverty
Lis	Legislative Instruments
M&E	Monitoring and Evaluation
MASLOC	Microfinance and Small Loans Centre
MBDA	Middle Belt Developmental Authority
MDAs	Ministries, Departments and Agencies
MiDA	Millennium Development Authority

Glossary

Abbreviation	Meaning
MLGRD	Ministry of Local Government and Rural
MLNR	Ministry of Lands and Natural Resources
MMDAs	Metropolitan, Municipal and District Assemblies
MMDCE	Metropolitan, Municipal and District Chief Executives
Mmscf	One million cubic feet
MoBD	Ministry of Business Development
MoE	Ministry of Education
MoELR	Ministry of Employment & Labour Relations
MoF	Ministry of Finance
MoTI	Ministry of Trade and Industry
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
MSEs	Micro and Small Enterprises
MT	Metric Tonnes
MTDS	Medium-Term Debt Strategy
MW	Megawatts
NABCO	Nation Builder's Corps
NACAP	National Anti-Corruption Action Plan
National	ID National Identification
NBCP	Nation Builders Corps Programme
NBSSI	National Board for Small Scale Industries
NDA	Net Domestic Assets
NDA	Northern Development Authority
NDPC	National Development Planning Commission
NDT	Non-Destructive Testing
NEIP	National Entrepreneurship and Innovation Plan
NEISP	National Entrepreneurship and Innovation Support Programme
NFA	Net Foreign Assets
NFIS	National Financial Inclusion Strategy
NHIL	National Health Insurance Levy
NHIS	National Health Insurance Scheme
NIRP	National Industrial Revitalisation Programme
NIS	National Identification System
NITA	National Information Technology Agency
NOSHA	National Occupational Safety and Health Authority

Glossary

Abbreviation	Meaning
NPLs	Non-Performing Loans
NPSRS	National Public Sector Reform Strategy
OECD	Organisation for Economic Co-operation and Development
OGM	Office of Government Machinery
OPEC	Organisation of Petroleum Exporting Countries
PAC	Passport Application Centres
PAYE	Pay As You Earn
PERD	Planting for Exports and Rural Development
PFJ	Planting for Food and Jobs
PFMA	Public Financial Management Act
PIM	Public Investment Management
PMC	Performance Management Contract
PoS	Point of Sale
PPA	Public Procurement Act
PPP	Public Private Partnerships
PRMA	Petroleum Revenue Management Act
QMS	Quality Management System
RAA	Revenue Administration Act
REDD+	Reducing Emissions from Deforestation and Forest
RFJ	Rearing for Food and Jobs
RTF	Rural Technology Facilities
SDGs	Sustainable Development Goals
SEC	Securities and Exchange Commission
SELA	Special Import Levy Act
SGN	Sankofa - Gye Nyame
SHS	Senior High School
SNA	System of National Accounts
SSNIT	Social Security and National Insurance Trust
STEM	Science, Technology, Engineering and Math
TEN	Tweneboa, Enyera, Ntomme
TIN	Taxpayer Identification Number
TMU	Treasury Management Unit
TP	Transfer Pricing
TSA	Treasury Single Account
TVAET	Technical Vocational and Agricultural Education and
TVET	Technical, Vocational Education and Training

Glossary

Abbreviation	Meaning
USA	United States of America
VAT	Value Added Tax
VCTF	Venture Capital Trust Fund
VDP	Voluntary Disclosure Procedures
WEO	World Economic Outlook
y-o-y	Year-On-Year

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