Deloitte.

2024 Ghana Budget and Economic Policy

Summary of Budget Statement & Deloitte Views

November 2023

MORE THAN 75 years of MAKING AN IMPACT THAT MATTERS IN GHANA

Pursuing growth and development within a stable macroeconomic environment

Under the theme "Pursuing growth and development within a stable macroeconomic environment", Ghana's 2024 Budget statement has been presented against a backdrop of a challenging year that culminated in an International Monetary Fund (IMF) Extended Credit Facility (ECF) programme in 2023 to restore macroeconomic stability and debt sustainability.

As part of measures towards macroeconomic stability, the Government launched the Post-COVID-19 Programme for Economic Growth (PC-PEG), a programme backed by the IMF to accelerate recovery and growth of the economy. The common themes of the PC-PEG programme are domestic revenue mobilisation, expenditure rationalisation, and debt sustainability.

Accelerating Ghana's recovery process for growth will require consolidation of gains made within the first year of implementing the PC-PEG programme. This calls for fiscal discipline, enhanced domestic revenue mobilisation capacity, and sustainable public debt levels.

We however believe that a comprehensive approach to pursuing these objectives to include lowering the cost of doing business in Ghana and simplifying business regulations, will enhance the country's investment attractiveness, and ultimately grow the economy.

This Budget statement did not introduce any new taxes but sought to extend import and VAT tax exemptions to specific industries such as vehicle assembly plants in Ghana. These measures should increase growth in investments for the affected sectors. We also wish to state that to spur growth across a significant portion of the economy will require tax incentives to cover a broader segment of the economy such as the manufacturing sector.

This Deloitte 2024 summary of Ghana's budget provides our analysis of Ghana's progress in the economic recovery process and key government policies and programmes scheduled for implementation in the coming fiscal year.

Our analysis of the policy proposals in the Budget Statement should contribute and help make informed decisions as we build together to drive Ghana forward and strengthen our economic competitiveness.

Daniel K. Owusu
Country Managing Partner
Deloitte Ghana

 |

1 2024 Budget at a Glance

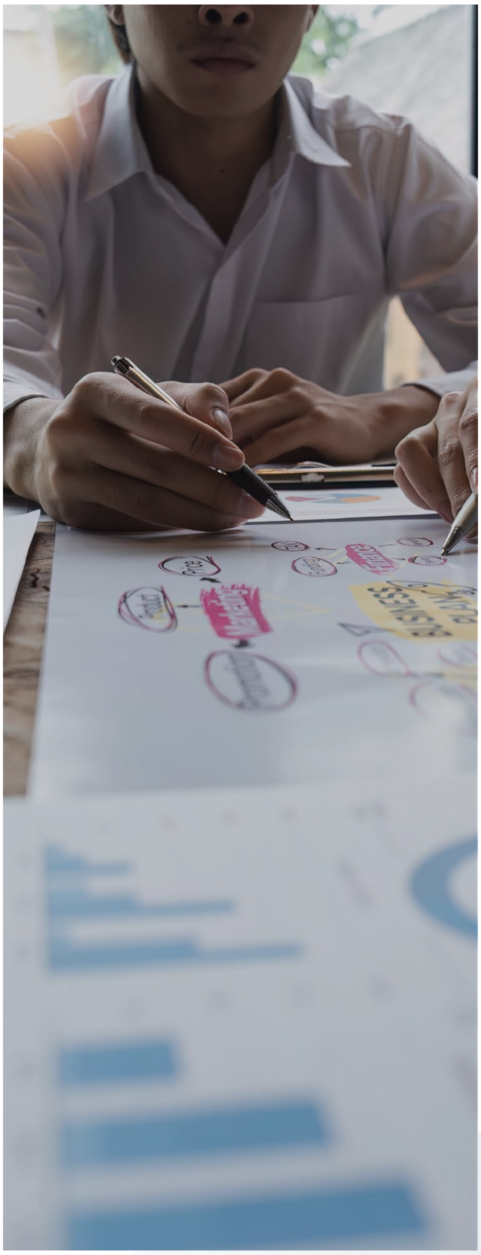
Summary of Economic Indicators

Summary Indicators

Indicators	2023 Revised Target	2023 Actual	2024 Target
Overall GDP Growth	1.5%	3.2%*	2.8%
Non-oil GDP	1.5%	3.9%*	2.1%
End of year Inflation	31.3%	35.2%^	15.0%
Budget Deficit (% of GDP)	4.6%	2.1%**	5.9%
Primary Balance (Commitment)	-0.5%	-0.7%**	0.5%
Gross International Reserves (Months of Import)	0.8	2.3***	3.0

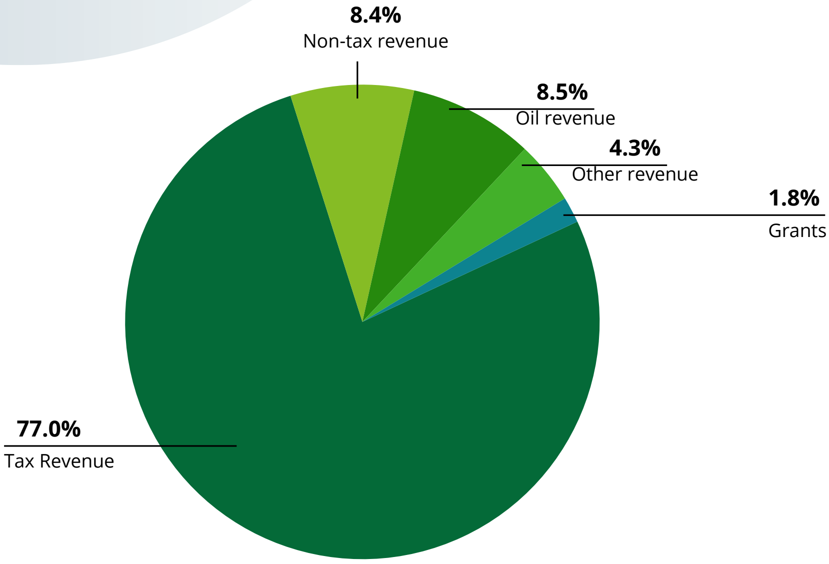
June 2023* **** August 2023** ***** September 2023** **^October 2023**

- Ghana's economy is projected to grow at 2.8% in 2024 which is relatively lower compared with 3.2% growth recorded in the first half of 2023.
- Non-oil GDP growth is projected at 2.1% in 2024. This is lower compared to 3.9% recorded in the first half of 2023.
- Inflation is projected to slow down to an end of year target of 15.0% in 2024 compared to 35.2% recorded in October 2023.
- Gross International Reserves (GIR) is projected to cover 3.0 months of import in 2024 compared with 2.3 months cover as at September, 2023.



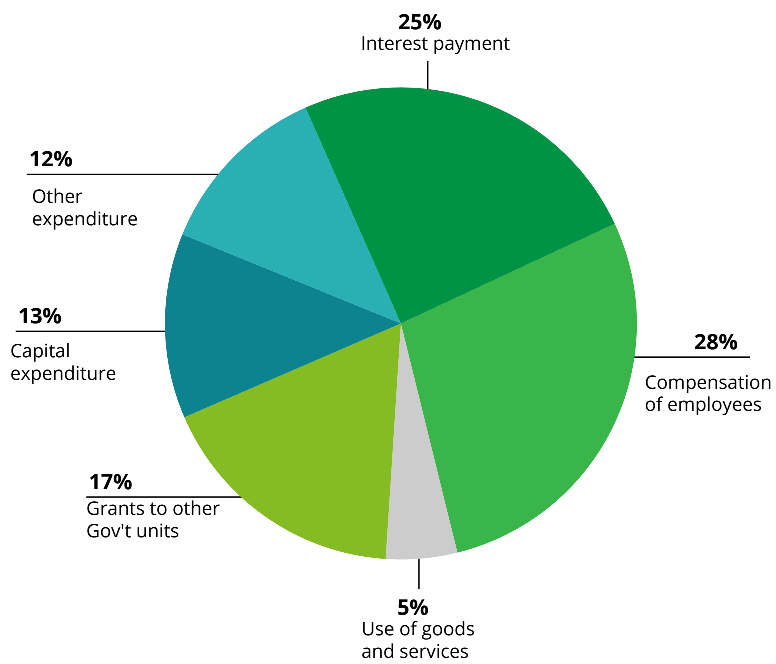
Revenue and Expenditure

Revenue (Resource Mobilisation)



- The Total Revenue & Grants for 2024 is projected at GHS 176.4 billion compared to the revised 2023 budgeted revenue of GHS 134.9 billion representing a 31% increase.
- Tax Revenue will constitute 77% of the 2024 budgeted revenue as compared to 76% of the 2023 budgeted revenue.
- Total Expenditure for 2024 is projected at GHS 227 billion compared to the 2023 budgeted expenditure of GHS 184 billion representing an 23% increase.
- Compensation of employees will constitute 28% of the 2024 budgeted revenue as compared to 28.1% in the 2023 budgeted expenditure.

Expenditure (Resource Allocation)

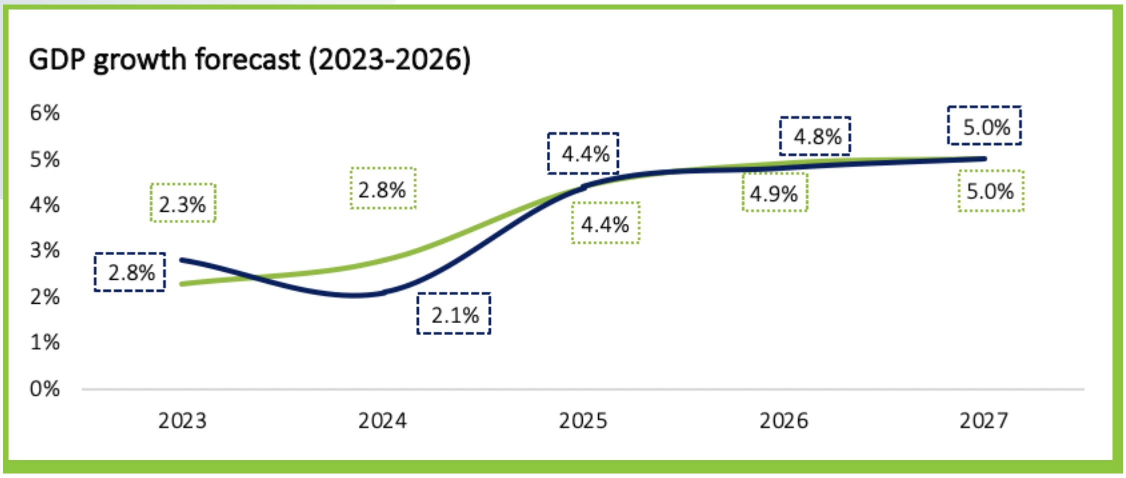


Source: 2024 Full year Budget Statement and Deloitte Analysis

 |

Economic Growth and Inflation

GDP growth forecast (2023-2026)



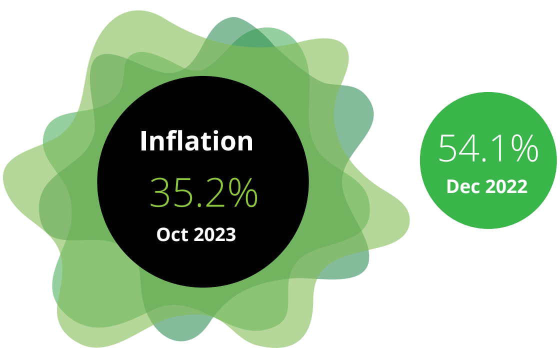
GDP Growth

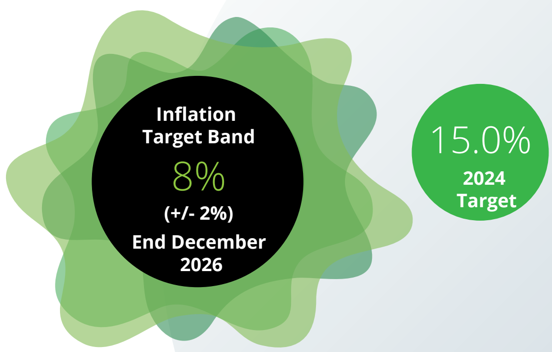
- Real GDP growth averaged 3.2% in the first half of 2023 compared to 2.9% in the same period in 2022, mainly driven by strong growth in the Services and Agriculture sectors which averaged 6.3% and 6.2% respectively.
- Overall, real GDP is projected to grow at an average rate of 2.8% over the 2024 – 2027 period. Non-Oil real GDP is projected to grow at an average rate of 2.1% over the same period.
- The projected GDP growth of 2.3% is lower than the projected global GDP growth of 2.6% in 2023 (EIU).
- Overall, GDP growth is expected to average 4.28% per annum over the period 2024- 2027.

Inflation

The downward trend in inflation in 2023 has been largely driven by tight monetary policy stance, exchange rate stability and favourable base drifts.

Inflation Updates

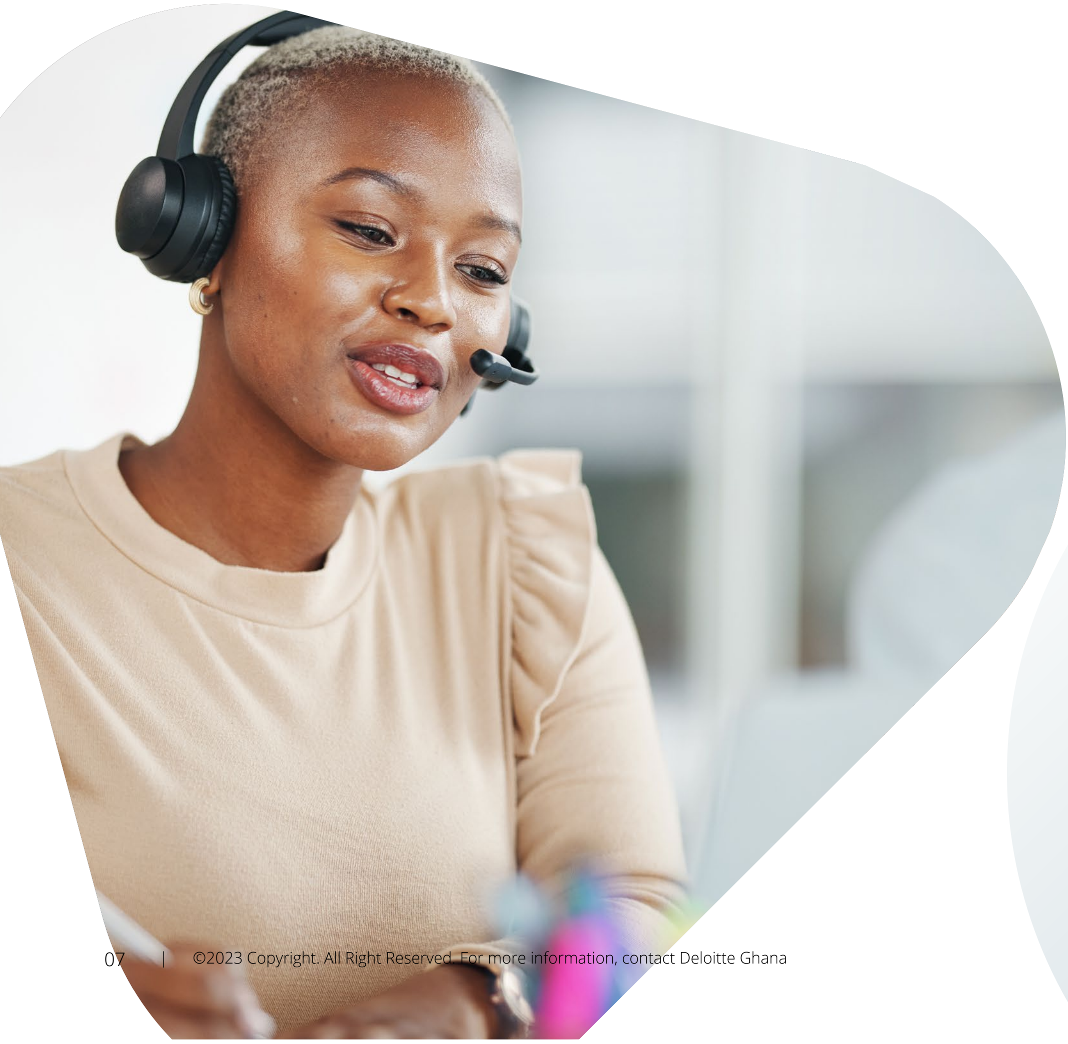




Summary Insights

Summary Insights

- The revised Total Revenue & Grants for 2024 is projected at GHS 176.4 billion (16.7% of GDP) compared to the 2023 mid-year budgeted revenue of GHS 134.9 billion. This represents a 30.8% increase over the review period.
- Total Expenditures (commitment) for 2024 is projected at GHS 226.7 billion (21.6% of GDP) compared to the 2023 mid-year budgeted expenditure of GHS 189.9 billion. This represents a 19.4% increase for the period under review.
- The overall real GDP is projected to grow at an average rate of 2.8% in 2024-2027 and 5.0 % from 2027 onwards. Gross Domestic Product (GDP) is also projected at over GHS 1 trillion in 2024 from the GHS 219.5 billion in 2016.
- Inflation is projected at 15.0 % by end of December 2024. Inflation declined by 18.9% from 54.1% in December 2022 to 35.2 % in October 2023. The cedi depreciated by 6.4% on cumulative basis since February 2023 compared to 53.9 % over same period in 2022.
- Government to invest GHS 422.1 million to create and resource six new administrative regions.
- Government to invest GHS 3.6 billion in the School Feeding Programmes; GHS 248.5 million as Capitation Grants and GHS 1.2 billion in LEAP.
- A budget of GHS 220 million allocated to support the relief of communities affected by the Akosombo Dam spillage as well as floods upstream in the Oti, Savannah, and Bono-East Regions.



Key Tax and Regulatory Highlights

Indirect tax

- Extension of VAT zero rating on locally manufactured textiles to 31 December 2025.
- Waiver of import duties on import of electric vehicles for public transport for a period of eight years.
- Waiver of import duties on semi-knocked down and completely knocked down electric vehicles imported by registered vehicle assembling companies in Ghana for a period of eight years.
- Extension of VAT zero rating on locally assembled vehicles to 31 December 2025.
- Zero rating of VAT on locally produced sanitary pads.
- Waiver of import duty on raw materials imported for local manufacturing of sanitary pads.
- Exemption of import duty on import of agricultural machinery, equipment and inputs, medical consumables, and raw materials for pharmaceutical industry.
- Introduction of a 5% VAT flat rate scheme to replace the 15% standard VAT rate on all commercial properties.
- Exemption of import duty on cars imported by members of the Ghana Medical Association.
- Expansion of environmental excise duty to cover plastic packaging, industrial and vehicle emissions.
- Expansion of scope of communication service tax.

Business income tax

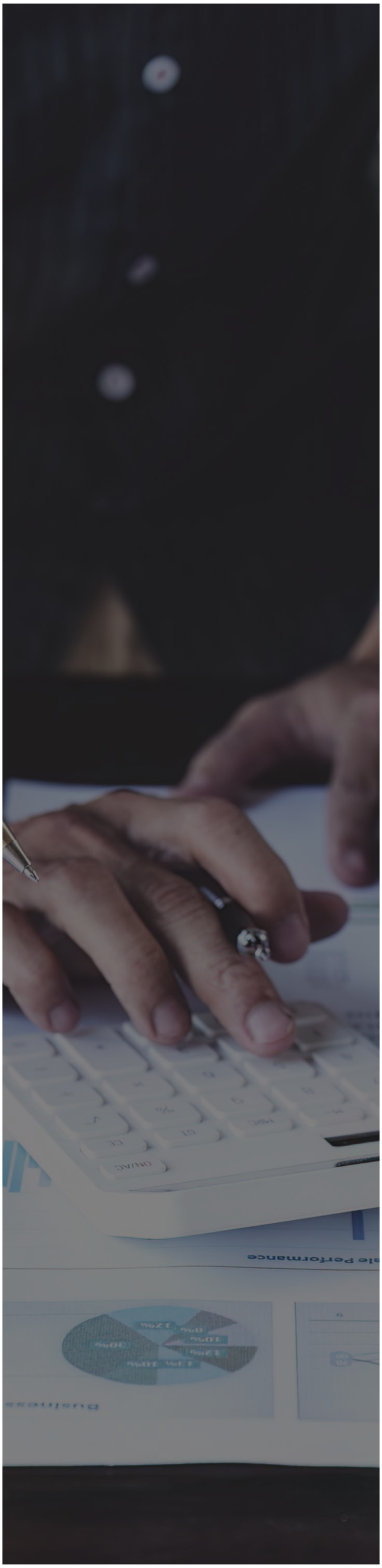
- The use of the Commissioner-General's certified invoice as the basis for all deductible income tax expenses.
- Introduction of a simplified return for individuals under the modified taxation regime.

Personal income tax

- Review of the individual income tax bands to reflect the new minimum wage.

Others

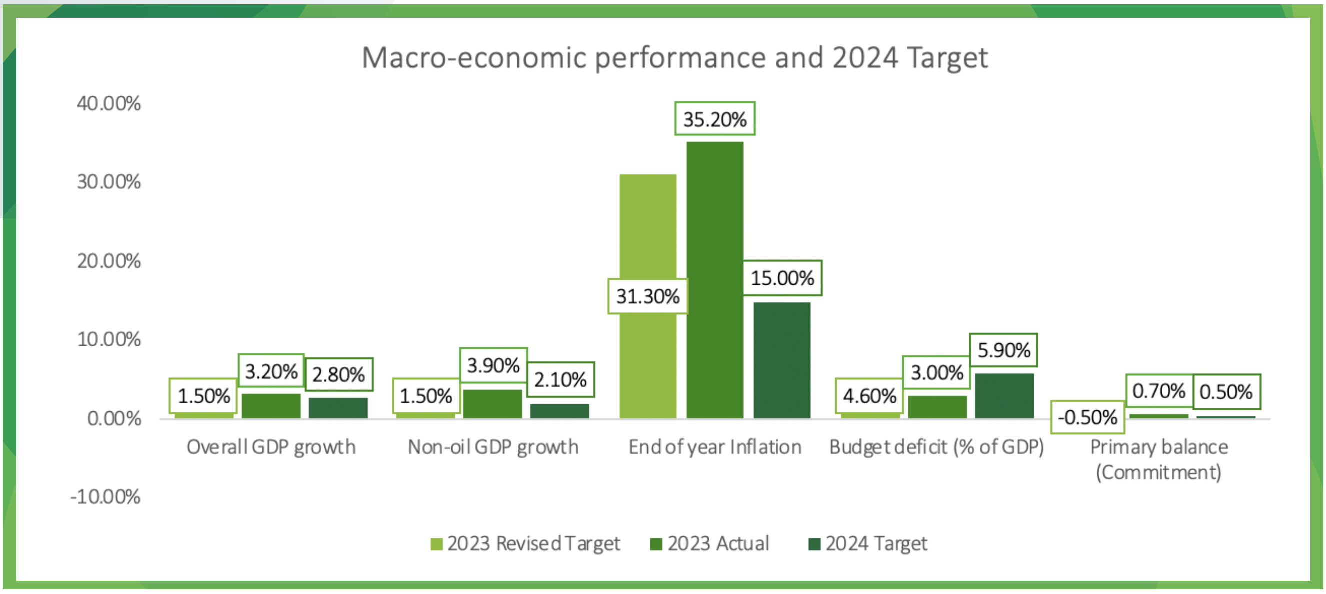
- Review of the rates and fees under the Stamp Duty Act to expand the bands subject to ad valorem tax and review the specific rates upwards.
- Enactment of the Business Regulatory Reform Bill to enhance quality and transparency of regulatory administration in Ghana.
- Amendment of the GIPC Act to introduce various reforms for foreign investment in Ghana.
- Operationalisation of special voluntary disclosure programme.



 |

2 Economic Analysis

Key Economic Indicators



Source: 2024 Budget Statement and Deloitte analysis

- Ghana's economy recorded a real GDP growth of 3.2% in the first half (Jan-Jun) of 2023. This growth outperforms the 2023 revised real GDP growth (1.5%) owing to the prompt deployment of strong fiscal and monetary policy measures. For 2024, GoG projects a real GDP growth of 2.8%.
- Non-oil GDP growth recorded for the first half of 2023 was 3.9%. This outperformed the revised 2023 target of 1.5%. The Non-oil GDP is projected to grow by 2.1% in 2024.
- GoG has begun the implementation of a fiscal consolidation programme together with the tightening of monetary policy. This has translated to relative stability in the macro-economic indicators.
- End-of-period inflation declined by c.19 percentage points, from 54.1% in December 2022 to 35.2% as at October 2023. This compares to the revised target of 31.3% for 2023. The decline in inflation has been attributed to ongoing fiscal consolidation, appropriate tightening of monetary policy, and relative stability in the exchange rate. Inflation is projected to continue its declining trajectory with an end of year target of 15.0% in 2024.
- The primary balance (commitment) for YTD23 August was a deficit of GH¢5.6 billion (0.7% of GDP), compared to the target of primary deficit of GH¢7.9 billion (0.9% of GDP).

Deloitte's view

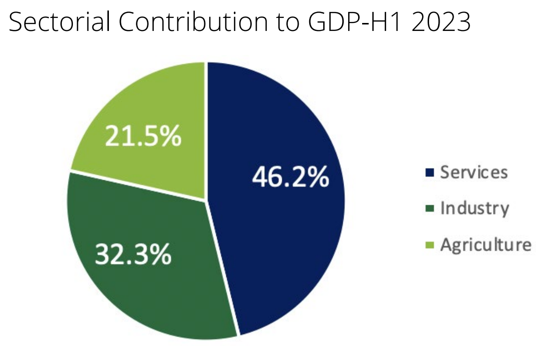
- Based on the August 2023 economic performance, it appears GoG is on course to achieve its revised inflation, budget deficit, and primary balance by the end of 2023. Whilst the improved inflation performance has resulted mainly from a post-IMF slowdown in the depreciation of the local currency, the Government's debt restructuring through the Domestic Debt Exchange Program (DDEP) has had a positive impact on expenditure, resulting in the improved budget deficit and primary balance recorded.

- There is indication that the Government may have been conservative in its economic growth projection for 2024 as the Economist Intelligence Unit (EIU) has projected a 3.3% GDP growth by the end of the 2024 which is higher than Government's projection of 2.8%. The year-to-date August 2023 actual GDP growth of 3.2% suggests that Government is very likely to outperform its revised target of 1.5% for 2023 by end of the year.

- In terms of inflation, the 35.2% recorded at the end of September 2023 represents a significant improvement from the 54.1% recorded as at end of December 2022. The trajectory further suggests that the Government is on track to achieve the revised target of 31.3% by end of 2023, if the current trend can be sustained. However, the situation can still be considered fragile as inflationary pressures and potential external shocks still poses significant risks to achieving the revised target.

- In addition, a significant part of this depends on Government's access to the next tranche of the IMF credit support, which will further boost our international reserves, control the local currency depreciation and reduce imported inflation. Whilst the next tranche was scheduled for November 2023, Government, as at the date of this report, was yet to meet all the conditions required to unlock the funds. Key amongst the conditions yet to be met is the agreement with external creditors on the foreign debt restructuring.

Sectoral Performance



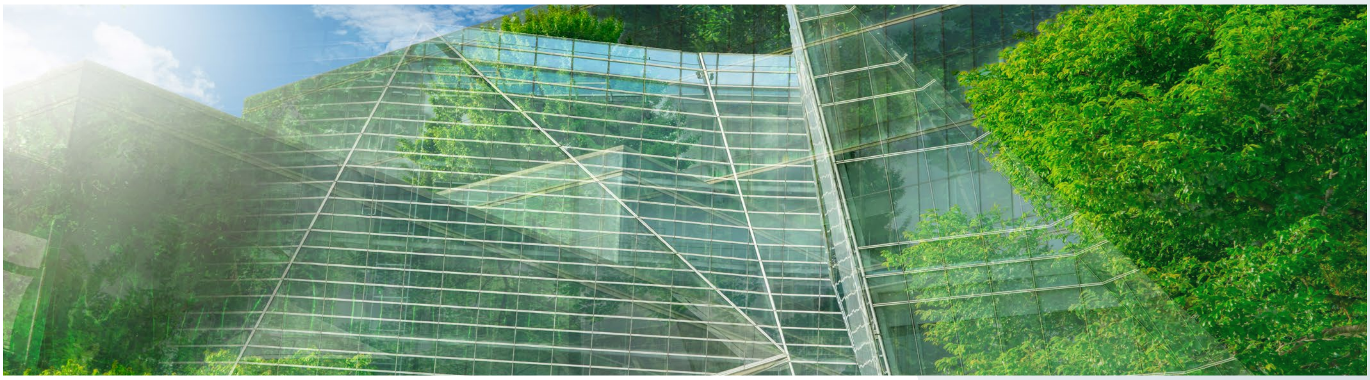
Source: 2024 Budget Statement and Deloitte analysis

The structure of the economy remained unchanged from previous years. The services sector continued to have the largest share in the distribution of nominal output. The sector accounted for a share of 46.2% in the first half of 2023, compared with 45.7% over the same period in the preceeding year. This was followed by the industry sector at 32.3% and the agricultural sector at 21.5%.

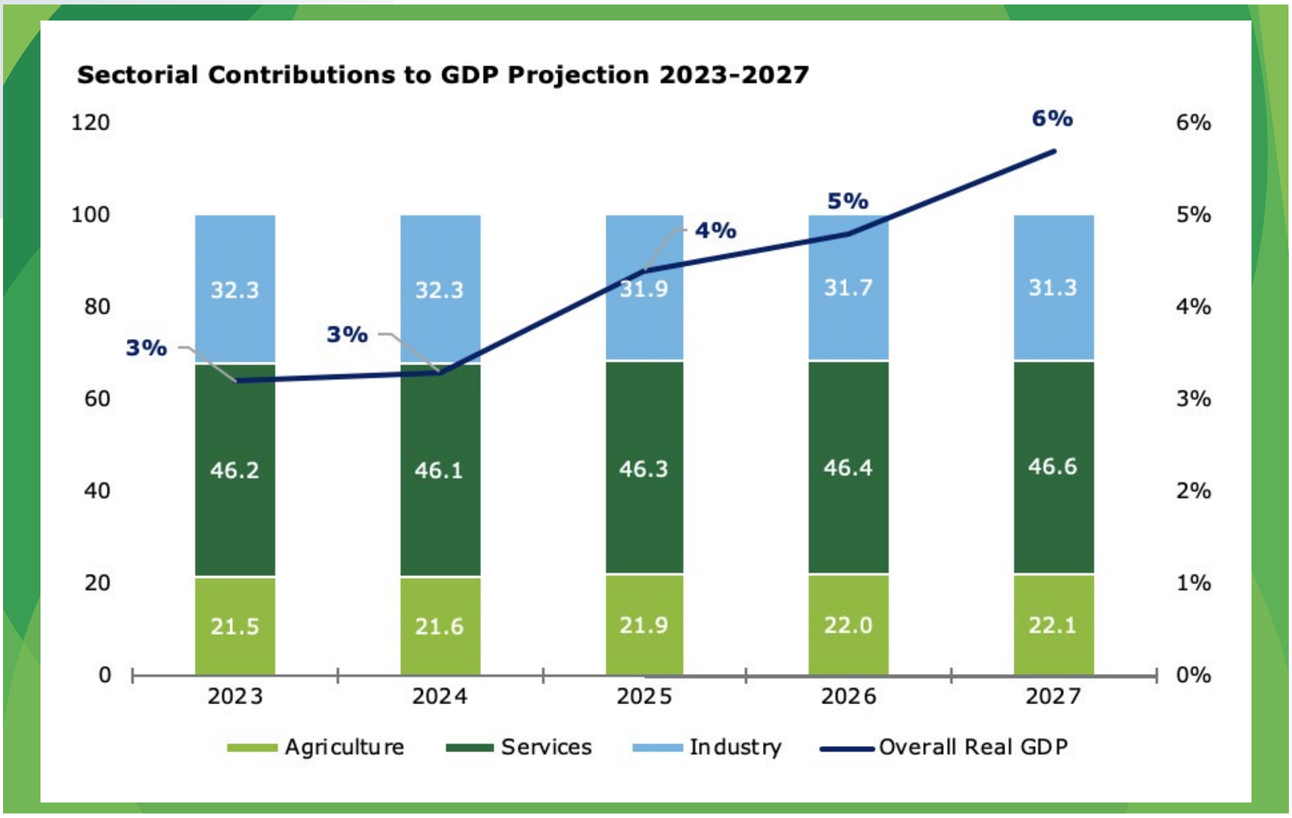
In the first half of 2023, the overall real GDP growth averaged 3.2% compared to 2.9% in the same period in 2022. The services (avg. 6.3%) and agriculture (avg. 6.2%) sectors were the key drivers for this growth. The agriculture sector increased from 4.3% recorded in the first half of 2022 to 6.3% over the same period in 2023. This growth was mainly driven by the Crops and Livestock subsectors, which both recorded growth rates of 6.8%, compared with 3.8% and 5.7%, respectively, recorded in the first half of 2022.

Growth in the services sector in the first half of 2023 was 6.3%, compared with 5.0% for the same period in 2022. The Information and Communication subsector recorded the highest growth rate over the period at 23.2% compared to 20.1% over the same period in 2022. This was followed by health and social Work, with a growth of 11.9%, compared to 9.3% over the same period in 2022.

The industry sector, unlike the other sectors, contracted by 2.2% in the first half of the year, driven by contractions in all subsectors except Mining and Quarrying. This contrasts with a growth of 1.9% for the same period in 2022. The manufacturing, electricity, construction, and water supply, sewerage, waste management and remediation activities, declined in the first half of 2023 with growth rates of -1.1%, -0.7%, -8.9%, and -4.9%, respectively, compared to growth rates of 3.8%, 2.4%, -1.1% and 0.1% for the same period in 2022.



Sectoral Performance



Deloitte's view

- We noted from the budget that, as part of efforts to revamp the economy, the Government is seeking to implement a 5-year growth strategy targeted at boosting productivity and job creation in some selected subsectors (Agriculture, Agribusiness and Aquaculture, Tourism, Trade & Industry and Digitisation & Technology). A key intended outcome from the strategy is to support the import substitution agenda by boosting local production of certain imported goods and increase in exports. Other outcomes include job creation, contribution to foreign exchange reserves and long-term moderation of consumer inflation. Given how comprehensive this strategy sounds, one can only hope that its implementation is pursued with strong commitment and judicious use of resources to ensure that the intended outcomes are realized.

- We have also taken note of a worrying trend regarding the growth in the industry sector, which is becoming a paradox. After recovering from a contraction of 2.5% in 2019, to a growth of 15.6% in 2020, the industry sector, which was particularly targeted by the Government as the engine of growth for our economy and the main source of jobs, has since posted only marginal growth (less than 2%) and even contracted by 2% in H1 2023. Yet, one of the flagship policies of the Government has been the One District One Factory (1D1F), which was reported in the budget to have produced 169 fully operational factories as at now. The key issue here may be the fact that we do not seem to prioritise regular or intermittent policy impact assessment, a measure that can provide some useful insights into implementation risks and provide basis for timely interventions (if need be) to ensure that the intended objectives of these flagship policies are achieved.

 |

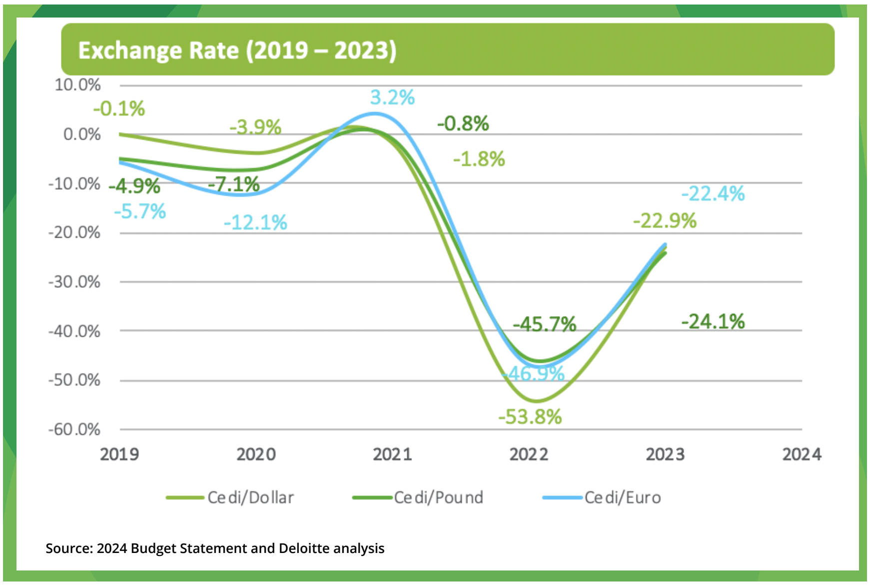
Exchange rate

Exchange Rate development – Year to date September

Description	2022	2023	2019-2023 (5-Yr Avg)
Cedi/Dollar	▼ -53.8%	▼ -22.9%	▼ -16.5
Cedi/Pound	▼ -45.7%	▼ -24.1%	▼ -16.5
Cedi/Euro	▼ -46.9%	▼ -22.4%	▼ -16.8

▼ Depreciation of the cedi ▲ Appreciation of the cedi

Source: 2024 Full Year Budget Statement and Deloitte Analysis



Source: 2024 Budget Statement and Deloitte analysis

The Ghana cedi maintained relative stability against the major trading currencies in 2023. The cedi recorded a year-to-date depreciation of 22.9%, 24.1%, and 22.4% in 2023, compared to 53.8%, 45.7% and 46.9% in 2022 for the US Dollar, the Pound, and the Euro respectively. Factors contributing to this performance include improved market conduct regulations, receipt of the first tranche of the IMF's Extended Credit Facility (US$ 600 million), the Gold for Oil (G4O) program and inflows from the mining and oil companies.

Between 2019 and 2021, the Ghana cedi was comparatively stable against the US Dollar. The sharp decline recorded in 2022 can be attributed to the rise in Ghana's external debts, credit rating downgrades, the loss of access to international capital markets, the fluctuations in oil prices because of the Russia-Ukraine war and the general repatriation of profits fueled by investor flight and profit repatriation. Over the 5-year period the Ghana cedi depreciated by an average of 16% to the US Dollar and 17% to both the Pound, and the Euro.

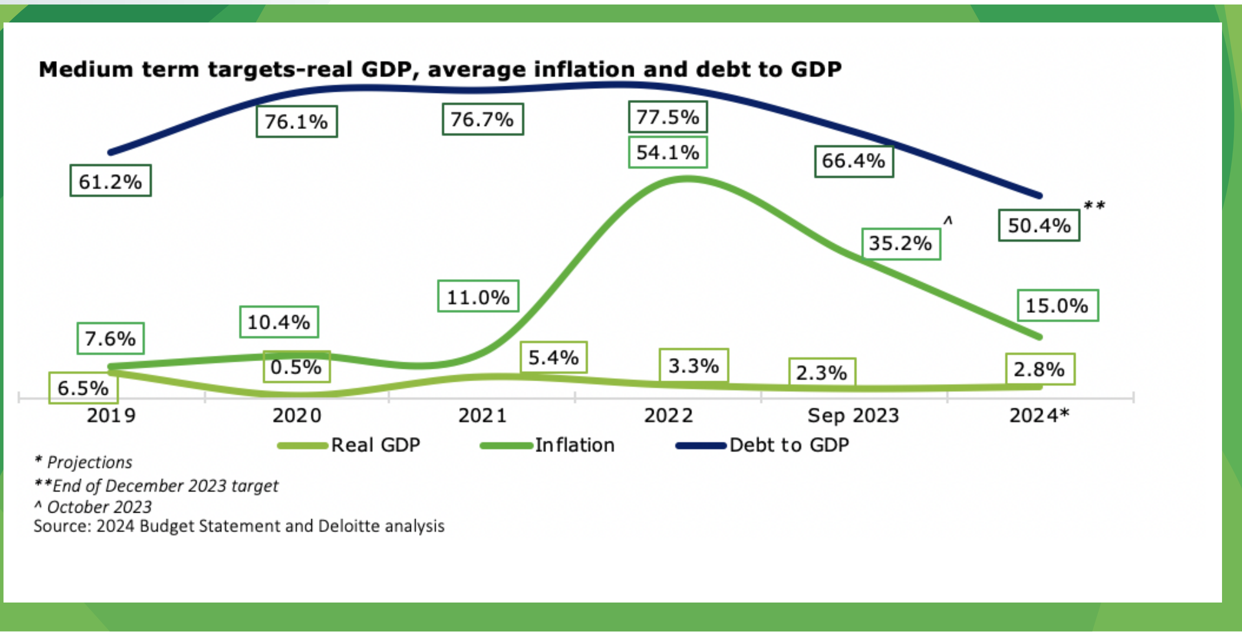
Deloitte's view

- It is our view that the Ghana cedi is likely to record some fluctuation between December 2023 and January 2024 resulting mainly from an increase in importation associated with the upcoming christmas and year end festivities, as well as year end repatriation of profits by multinational companies. Additionally, the upcoming elections in 2024 could also fuel the cedi's depreciation as a result of foreign investors "hold-decision" on investments in the economy pending election outcomes.

- Notwithstanding the risks noted above, a successful performance review and release of the next tranche of the IMF credit support between November and December 2023 should absorb some of these shocks and help sustain the relatively stable local currency from now to the end of the year. Going forward, exchange rate developments in 2024 will largely depend on Government's ability to meet the conditions required to access subsequent tranches of the IMF credit support and reactions of investors and the business community to events leading to the elections in 2024.

 |

Sectoral Performance



Economic Growth

- Economic conditions in 2023 have improved, with key macroeconomic indicators showing marked improvement as compared to similar indicators in 2022. The agreement with the IMF, which will provide credit support, has uplifted the economy. The IMF programme has provided policy credibility and improved confidence amongst international investors.

- Ghana's real GDP growth is projected to decline to 2.3% in 2023, down from 3.5% in 2022. However, the economy is anticipated to bounce back in 2024 and grow steadily in the medium-term, averaging a 2.8% growth over the period 2024-2027.

- There has been a downward trend in inflation in 2023 largely driven by tight monetary policy stance, exchange rate stability and favourable base drifts. Government has set inflation to stay within a target band of 8% +/-2% by the end of 2027. This is anticipated to be driven by medium-term strategies (boosting local productive capacity, promoting and diversifying exports, import substitution etc.) aimed at restoring and maintaining price stability to create conditions for sustainable growth.

Deloitte's view

- Ghana's key macroeconomic indicators were improving pre-Covid, due to the successful implementation of the three-part IMF program that saw Ghana secure a $918 million loan to help stabilize the economy. However, post-Covid, Ghana saw its key macroeconomic indicators rapidly worsen leading to high levels of inflation, declining GDP growth, and unsustainable debt levels.

- Notably, Ghana suffered from a debt crises, as Ghana's domestic and external debts grew to fund Government's flagship projects. As interest rates rose and inflation reached peak levels, Ghana's economy showed signs of debt distress as the debt-to-GDP ratio reached 93.5% as at end-November 2022 and the country's debt service-to-revenue ratio approached high-risk levels. Following this, Ghana suffered credit downgrades, with major credit agencies citing an increased likelihood that Ghana would pursue a debt restructuring due to financing squeeze, high-interest costs on domestic debt, and a prolonged lack of access to Eurobond markets as the major reasons for the credit downgrades.

- However, Ghana's situation has improved following the IMF deal and the successful implementation of the DDEP in 2023. This has seen a marked improvement, particularly in H2 2023, as inflation has fallen from 54.1% as at December 2022 to 35.2% as at October 2023. Importantly, Ghana's debt is gradually reducing to more sustainable levels as we continue to negotiate with our external creditors and service our outstanding debts.

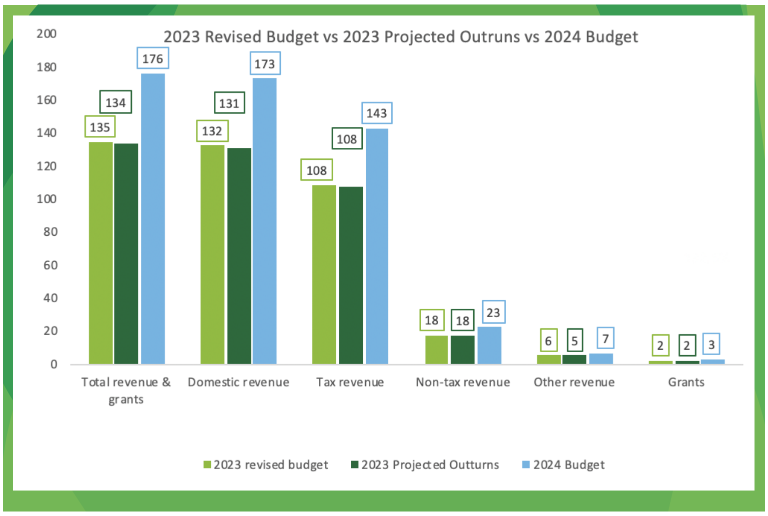
- Government must reduce its reliance on the domestic debt market by pursuing innovative revenue generation policies, reducing excessive expenditure on non-productive programs, and adopt effective measures to boost our FX reserves and stabilize exchange rates in a bid to reduce the external debt accumulation resulting from depreciation. Ghana must explore extreme measures such as legislation to establish a debt limit and cap government borrowing to prevent similar crises from recurring and end our cycle of IMF support every few years.

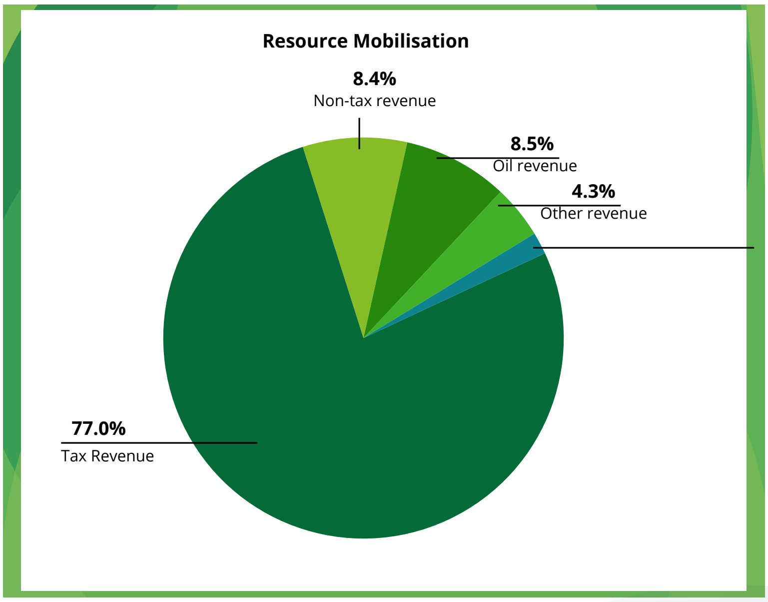
Sectoral Performance

Government Revenue

The total revenue for 2024 is projected at GHS 176.4 billion compared to the revised 2023 budget of GHS 134.9 billion in 2023, which represents a 31.8% increase in projected revenue. The projected revenue increase in 2024 is expected to be largely driven by increases in taxes on goods and services and taxes on income and property. Government plans to enhance compliance in the payment and collection of direct taxes including the introduction of a simplified tax return regime to promote voluntary compliance in the informal sector.

Government expects to generate additional revenue from taxes on gross gaming revenue of betting and gaming companies, withholding tax on betting and games winning proceeds, and review of the Stamp Duty Act. Government also plans to work on alignment in VAT and custom legislation and to commence implementation of the second phase of Communication Service Tax to cover pay-per-view television stations and other target business.





Deloitte's view

- Government's revenue measures are hinged on intensifying compliance of taxpayers through existing tax handles. Government's domestic revenue estimates for 2024 (31% above 2023 revised budget) appears achievable. The achievability hinges largely on the adoption of a more user-friendly filing and collection systems.

- Government should empower the Ghana Revenue Authority (GRA) to intensify tax education in order to get the buy-in of taxpayers. The tax filing and collection mechanisms should be further improved for ease of compliance to the ordinary taxpayer.

- Particularly, Government's plan to implement a simplified tax return system to promote voluntary compliance in the informal sector presents an opportunity to widen the tax net, which can boost tax revenue.

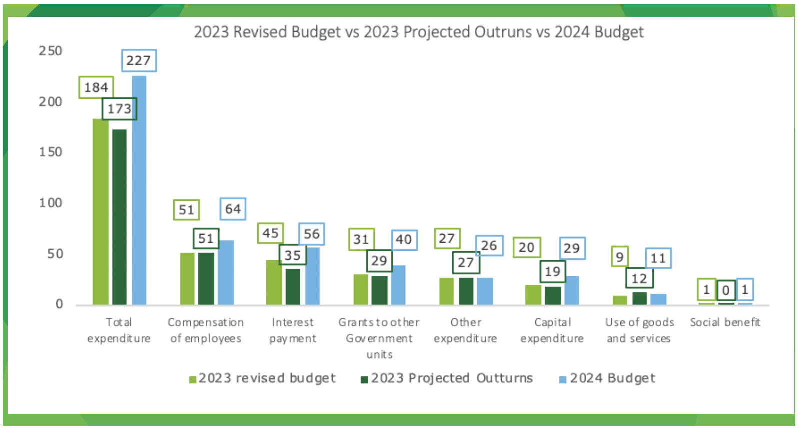
Sectoral Performance

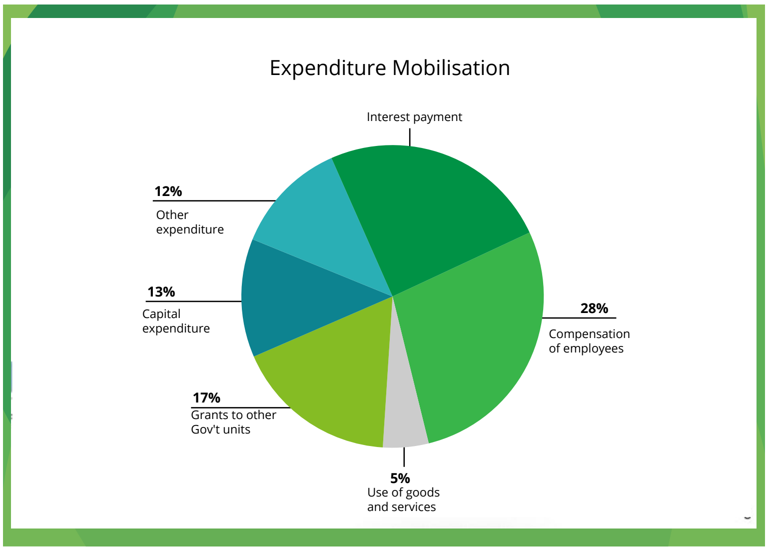
Government Expenditure

- The estimated total expenditure for 2024 is projected at GHS 226.7 billion, 23.3% higher than 2023 budget of GHS183.9 billion. The increase is driven mainly by compensation of employees (24%), interest payment (25%), grants to other government units (28%) and capital expenditure (40.5%).

- The Government projected outturn for 2023 indicate a trajectory to achieve a savings of GHS11.07 billion relative to the revised budget in 2023. This can be largely be attributed to Governments decision to suspend payment of interest to some selected external creditors which is projected to contribute GHS7.4 billion with domestic interest savings expected to contribute GHS2.7 billion. Other expenditure lines contributing to the savings include grants and capital expenditure.

- The composition of 2024 expenditure include compensation of employees (constitutes 28.1%), interest payment (constitutes 24.7%), grants to other government units (17.5%), capital expenditure (constitutes 12.7%.), other expenditure (11.6%), use of goods and services (constitutes 4.9%), subsidies (0.2%), and social benefit (0.4%).





Deloitte's view

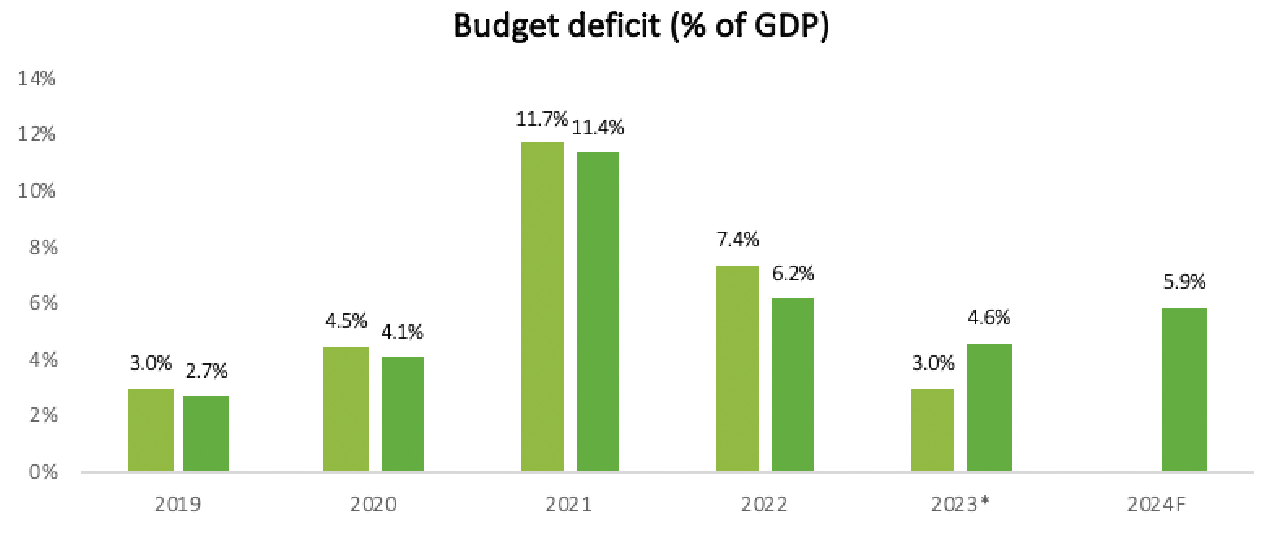
- Government's suspension of interest payment to selected external creditors has reduced interest payment from 27.5% to 24.7% of total expenditure in 2022 and 2023 respectively. However, the cost of debt remains a concern as we have recently noted an upward trending of the treasury bill rates, which has become the Governments primary source of borrowing.

- For 2024, The Government has committed 13% of total expenditure to capital expenditure (relative to 11% in 2023). This indicates a shift to more capital investments, which improve the medium-term revenue generating capacity of the economy.

- The 2024 expenditure on social benefits should be tactfully targeted to provide some reliefs to persons in the lower income bracket amidst recent economic hardships. Government should design these schemes to deliver great impact to persons who will need the interventions most.

 |

Budget Deficit



Source: 2024 Budget Statement and Deloitte analysis
*August 2023

The overall budget deficit on a commitment basis for the year 2023 fell to a 5-year low of 3.0% of GDP in August 2023. This was benchmarked against a target deficit of 4.6% of GDP for the year 2023. The Government largely views this outrun as an overall improvement in the country's revenue mobilisation and slower execution of expenditure. For 2024, the deficit is projected at 5.9% of GDP which is higher than the revised budget of 5.7% for 2023.

The 2023 projected outturn for revenue is estimated at 99.2% of revised budget which demonstrate a strong revenue performance. All revenue measures are expected to yield 98% and above. However, international trade taxes forecast a 105% yield relative to 2023 budget.

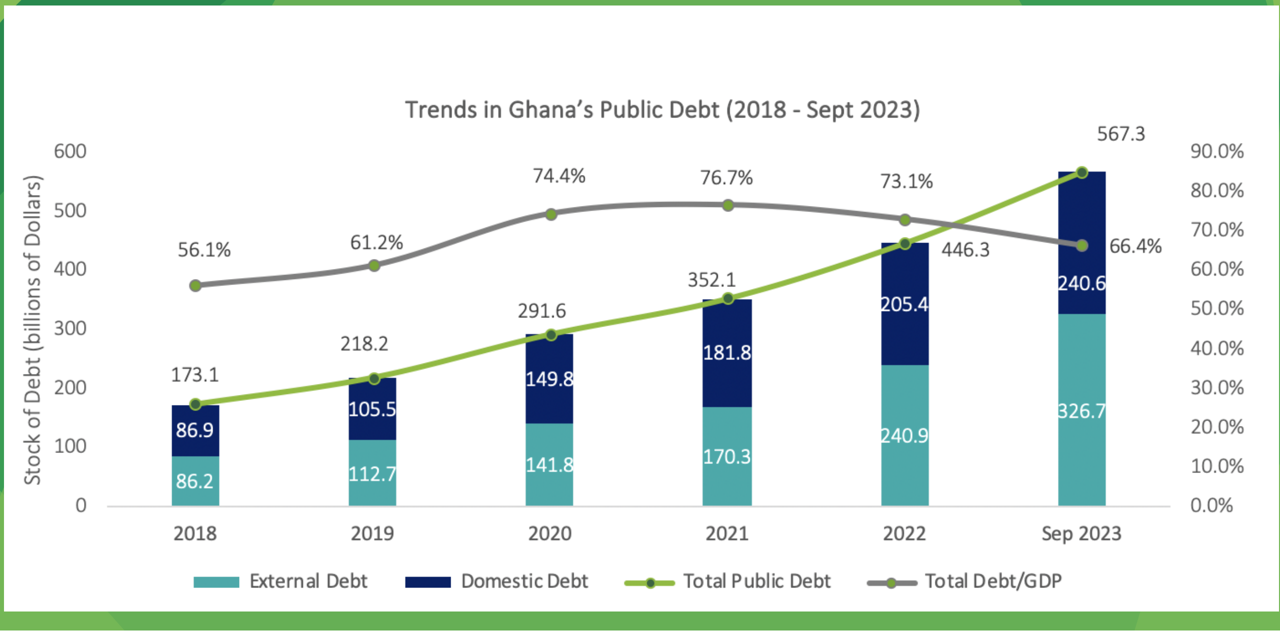
On the expenditure front, interest payment (suspension of payments to external creditors), grants to other government units and capital expenditure are projected to rake in the majority of savings which is expected to keep the budget deficit around 5.7% of GDP in 2023.

Our trend analysis of Ghana's debt management for the past 3 years highlights key measures taken to address the Government debt obligations (interest component contributes approximately 25% to the country's expenditure). In early December 2022, the Government announced a local-currency debt swap and confirmed plans to launch an external debt-restructuring program. This was followed by a staff -level agreement with the IMF for a three year, US$3bn Extended Credit Facility (ECF) arrangement in December 2022. In February Ghana concluded the first phase of its domestic debt-swap exchange (DDE) program (for locally denominated bonds worth GH¢137.3bn—about US$15bn). In terms of external debt, Ghana is targeting debt-service relief of US$10.5bn over 2023-26 to successfully implement the US$3bn ECF deal.

Deloitte's view

We foresee the budget deficit to edge up marginally in 2024 as election-related outlays push up the Government expenditure. Despite the expected increase in election-related outlays, we expect some restraint, driven largely by the need to meet the second review of the country's IMF program. This is because the IMF's scrutiny of the economy and the inherent pressure on the Government to meet defined performance metrics and other qualitative conditions precedent to accessing subsequent tranches of the credit support will partly guide government's expenditure in 2024.

Public Debt Analysis



Debt Management Strategies

Ghana's public debt has increased by 27.1% from December 2022 to September 2023. As at September 2023, external debt formed 57.6% of total debt, up from 54.0% in December 2022, with the increase largely attributable to the effects of the domestic debt exchange program. However, public debt accumulation has slowed down due to consolidation of public finances, the domestic debt exchange programme, and the ongoing external debt restructuring, resulting in total public debt declining from 73.1% of GDP as of the end of December 2022 to 66.4% of GDP as of September 2023.

Government will prioritise debt sustainability in the medium term and will propose a financing mix that achieves a combination of minimized cost at an acceptable level of risk. In 2024, Government seeks to implement its debt operations programme that will put Ghana back on track to achieving sustainable debt levels.

Government plans to continue to issue Treasury bills on the domestic market to support the 2024 budget to alleviate the challenges of issuing medium-term bonds. Also, Government seeks to create cash buffers for debt operations and cash management purposes as well as fund financing for domestic projects.

Funds from the IMF-ECF and World Bank Development Policy Objective (DPO) will support the external financing resources for the 2024 budget. The ECF and DPO will be disbursed in tranches to address the budgetary and external financing gaps. Government plans to pursue its debt operation programme and will explore opportunities to reduce the level of risk embedded in its portfolio. To effectively implement these strategies, Government will enhance its communication with market participants.

Government's plans to reach an agreement with external creditors as part of the overall debt exchange program will be key to driving overall debt to GDP to a net present value of 55% of GDP as required by the IMF-PCPEG programme.

Deloitte's view

- By swapping high-interest domestic bonds with lower-interest ones, Government can save millions of dollars in interest payments through the DDEP, which could be used to help boost the economy and address other challenges such as inflation and the depreciating cedi.

- Given the positive impact that the DDEP has had on Ghana's debt sustainability, the ongoing discussions with external creditors for the restructuring of our foreign debts promises to improve debt sustainability further if Government can reach a favourable agreement with the external creditors in the coming weeks. In the medium to long term however, Government must find innovative and sustainable ways to boost internal revenue generation to reduce or moderate the extent to which Government relies on borrowings to fund its projects and programs. Additionally, expanding the size of the economy in real terms will reduce the debt sustainability risk as an expanded economy will have greater capacity to support loan servicing commitments going forward.

Sovereign Ratings

Improved Credit Ratings

Following the successful restructuring of the domestic debts, Ghana's credit ratings, which had previously suffered severe and multiple downgrades, were upgraded by SP Global and Moody's to a 'Stable Outlook' status on 9th May 2023 and 13th June 2023 respectively.

Additionally, Government has made real strides in improving relations with the vast majority of its local currency creditors, evidenced by 92% participation rate in key financial instruments such as Government bonds and Cocoa bills, as well as locally issued foreign-currency bonds.

Rating agency	Local Currency Rating	Foreign Currency Rating	Outlook
Fitch Rating	RD	RD	N/A*
S&P Global	CCC+	SD	Stable
Moody's	Caa3	Ca	Stable

RD – Restricted Default, SD – Selective Default
* No outlook is assigned to Fitch ratings at CCC or below

Deloitte's view

- The improved credit ratings signal improving financial stability and Government's improved capacity to address the debt-related challenges. Going forward, the Sovereign credit upgrades and the policy credibility provided by the IMF ECF are expected to improve the attractiveness of the economy to international investors, thereby improving the competitiveness with which we can access capital from the international market (i.e. ability to borrow at lower interest rates compared to a few months ago).
- The Sovereign ratings also affect local corporates, especially banks, seeking to raise funds through foreign investors and lenders. The improved ratings, if sustained, will expose banks and other large corporates to favourable foreign investment opportunities.

Measures for growth and value addition – IMF Programme

IMF Programme

The IMF supported PC- PEG is assessed semi-annually by the IMF and disbursements under the Program are tied to successful completion of each review. The reviews are to assess Ghana's progress in meeting the Quantitative Performance Criteria (QPCs), Indicative Targets (ITs), and Structural Benchmarks (SBs) as set by the IMF.

IMF staff and the Ghanaian authorities have reached staff-level agreement on economic policies and reforms to conclude the first review of the 36-month ECF-supported program.

Ghana's first review occurred from 25th September to 6th October 2023 where Ghana met all 6 QPCs, 2 out of the 3 ITs and six out of the seven SBs. Ghana was unable to meet the IT on zero net accumulation of payables due to ongoing negotiations with the energy sector Independent Power Producers (IPP) and the SB on the preparation and publication of an updated Energy Sector Recovery Plan.

To ensure timely completion of the review, the country needs official creditors to quickly reach agreement on a debt treatment in line with the financing assurances they provided in May 2023.

Ghana will have access to about US$600 million in financing once the review is approved by IMF Management and formally completed by the IMF Executive Board.

Upon completion of the Executive Board review, Ghana would have access to SDR 451.4 million (about US$ 600 million), bringing the total IMF financial support disbursed under the arrangement, since May 2023, to SDR 902.8 million (about US$1,200 million).

Deloitte's view

- In the short to medium term, Government's current negotiations with external creditors in respect of the intended restructuring of our foreign debts will be key to further expanding the fiscal space created through the DDEP. We expect Government to accelerate the external debt restructuring process as completion of the foreign debt restructuring is key to unlocking the next tranche of IMF funds, which, if successful, will help shore up our international reserves.

- Government should put in place measures to implement other planned strategies, including public financial management reforms, set-up and operationalization of the financial stability fund to provide liquidity support to financial institutions affected by the debt exchange, improving SOE competitiveness and efficiency, improving governance and strengthening our anti-corruption framework, among others to sustain the current trajectory of performance as we push towards macroeconomic stability in the short to medium term.

Social Interventions

Social Intervention Programmes

Free Senior High School (SHS) & Technical and Vocational Education and Training (TVET)

The Government of Ghana's flagship Free Senior High School (SHS) & Technical and Vocational Education and Training (TVET) project, was launched in 2017. These programs will provide the manpower for practical skills necessary for Government to achieve its industrial drive. For the upcoming year, the objective of the intervention is to continue the transformative initiative support for first year students and increase beneficiary numbers to 1.3 million.

Capitation Grant

Government has provided feeding grants to 7,500 special schools and capitation grants to basic schools all over the country. For the upcoming year, Government seeks to lessen the financial burden on parents by paying Basic Education Certificate Examination (BECE) registration fees with the aim of providing quality basic education opportunities to the citizenry.

Livelihood Empowerment Against Poverty (LEAP)

Government sustained the policy of maintaining LEAP by investing GHS298 million in support of 350,000 extremely poor households. The Programme in 2024 will increase financing opportunities provided to households by 50%.

National Health Insurance Scheme (NHIS)

With 16 million active subscribers due to expansion in coverage, the NHIS scheme is now serving 80% of the populace. In 2024, Government intends to fully integrate the Ghana card to further improve membership enrollment.

School Feeding

Government intends to support the school feeding programme to ensure that basic education is enhanced. In 2023, Government invested GHS740 million to feed 3.8 million pupils.

Deloitte's view

- Government will need to accurately target social interventions to enhance its reach and impact to persons who will need the interventions most. Available data from the World Bank, reveal that about 850 thousand people have been pushed down the poverty line due to recent economic hardships. This underscores the importance of creating effective social intervention programs as these have become even more critical given our recent economic situation and its impact on those on and closely around the poverty line. Beyond creating the social intervention programs, to ensure the programs fully achieve their intended outcomes, Government must find innovative ways to adequately fund the programs with a good strategy to sustain funding over the course of the program.

- Other interventions such as NHIS and School feeding should be improved from an operational level to improve quality of healthcare and food for beneficiaries in the short to medium term. Government should also work to improve the timeliness with which funds are released to local assemblies' and other social intervention beneficiaries going forward.

Special Programmes and Initiative

YouStart Programme

- The YouStart Programme was initiated by the Government to address the country's employment challenges.
- The main objective of the Programme is to facilitate youth entrepreneurship through training, competitive funding, access to market, and technology.
- The three components of the Initiative, District Entrepreneurship Programme (DEP), Commercial Programme (CP) and the YouStart Grace Programme have been developed and piloted successfully. Ghana Enterprises Agency (GEA) and National Entrepreneurship and Innovation Programme (NEIP) co-lead the District Entrepreneurship component of the YouStart.
- In September 2022, the Government signed a Memorandum of Understanding with 11 Banks and the Ghana Association of Bankers to support entrepreneurs gain access to capital to enhance their businesses.
- Key initiatives to further rollout the Programme include include US$150 million funding from the World Bank and GHS 200 million funding from the Government of Ghana.

Growth Strategy

- The Government's 5-year Growth Strategy was approved by Cabinet in August 2023. The strategy seeks to stimulate and sustain economic growth and restore macroeconomic stability under the IMF-backed PC-PEG.
- The first phase is a 14-month programme which will aim at scaling-up prioritised existing programmes and attracting Private Sector Investments with little-to-no demands on budgetary resources.
- The Growth Strategy prioritises key sectors of the economy, Including Agriculture, Agri-business And Aquaculture, Trade, Industry and Export Promotion, Tourism, as well as Digitisation and Technology.

The Growth Strategy will support the implementation of interventions that increases capacity to produce, deepen value-chains, facilitate and modernise storage facilities and increase the shelf-life of products. These improvements are expected to help support exports, build forex exchange buffers and reduce inflation.

Digital Youth Village (DYV)

- The Digital Youth Village (DYV) is a key initiative of the Ministry of Communications and Digitalisation and the University of Ghana to promote digital entrepreneurship among the youth. This initiative serves as a bridge between academia and industry.
- Phase 1 of the DYV project is expected to be completed before end of December 2024.

Economic Enclaves Project (EEPs)

- The Economic Enclaves Project (EEP) is aimed at complementing the Planting for Jobs (PFJ) II.
- An amount of GHS1 Billion has been allocated to Millennium Development Authority (MiDA) to complement the PFJ II. This funding will be dedicated to providing critical infrastructure, including irrigation, canals, as well as clearing and developing land for private sector actors in the EEP.
- As of December 2022, there were 3 operational enclaves in Kasunya (Greater Accra), Kumawu (Ashanti) and Banda (Oti Region). An additional 5 enclaves are planned in 2024 to promote value addition, integration, and deepening aggregation and value chain systems.
- Operational EEPs are envisaged to lead the production of 160,000mt of rice by the end of 2024, with over 110,000 acres of land in cultivation for the key staples.
- Ten private sector actors have responded to the expression of interest. The private sector actors investing in EEP will provide an employment target of at least 5,000 jobs.
- EEP seeks to leverage catalytic financing from key partners including MasterCard and the African Development Bank.

Deloitte's view

- The effective and efficient implementation of the YouStart Programme will help alleviate the unemployment situation in Ghana by promoting entrepreneurship. The initiative, which is estimated to create about 1 million jobs over the next three years and expand businesses to take advantage of the African Continental Free Trade Area (AfCFTA) will help address unemployment rate.
- The Ghana Mutual Prosperity Dialogue, which is aimed at supporting the Growth Strategy in areas of Agriculture, Energy, Finance, Hospitality, Manufacturing, Mining, Retail, Telecommunications, and other key sectors of the economy, focuses on private business perspectives and brings synergy between the public and the private sector. The dialogue will encourage local manufactures to reduce the country's reliance on imports and enhance the manufacturing industry's economic self-sufficiency.

3 Tax and Regulatory Policy Proposals

 |

Indirect tax

Two-year extension of VAT zero rating on locally manufactured textiles

The Minister of Finance has proposed further extension of the zero VAT rating for locally manufactured textiles. Accordingly, locally manufactured textiles supplied by approved manufacturers will continue to be subject to VAT at the rate of 0% up to 31 December 2025.

Deloitte's view

- The supply of locally manufactured textiles by manufacturers approved by the Minister for Trade and Industry was originally zero-rated for VAT for three years up to December 2021 and subsequently extended to December 2023. The policy rationale was to promote patronage of locally produced textiles to boost the local industry.

- Government has proposed to grant a further extension of the zero-rating of locally manufactured textiles up to December 2025. This extension is expected to keep the price of locally manufactured textiles competitive, thereby supporting growth of the local textile manufacturing industry.
  Overall, the proposed extension of the zero rating on locally manufactured textiles is an important development that reflects government's commitment to support the local textile industry.
  Given that this policy has been extended continuously for two terms, it is an indication this is beneficial to industry growth. To ensure certainty and allow industry players to plan, the government may consider making locally manufactured textiles permanently zero-rated for VAT, at least for the medium term.

Waiver of import duties on import of electric vehicles for public transportation

To increase environmentally sustainable practices and reduce carbon emissions, the government has announced its intention to waive import duties on imported electric vehicles for public transportation for a period of eight years.

Deloitte's view

- This proposal reflects a new fiscal focus towards using taxation to drive attainment of climate goals. This initiative aligns with global efforts to reduce carbon emissions and combat climate change by transitioning to cleaner and more energy-efficient modes of transportation.

- The move is expected to incentivize the adoption of electric vehicles in the public transportation sector, leading to a reduction in greenhouse gas emissions and air pollution. It also presents an opportunity to modernize the public transportation fleet, improve energy efficiency, and reduce reliance on fossil fuels in the long term. A successful move to alternative energy sources can reduce the country's import bill for fuel but in its current form, the incentive being restricted to vehicles for public transportation appears to be limited to achieve significant gains in the short to medium term.

- To aid in the country's transition to renewable energy, government should consider introducing a support programme for individual and corporate use of electric vehicles. Additionally, investment should be made in building the required infrastructure to support use of electric vehicles in the country.

Extension of VAT zero rating on locally assembled vehicles and import duty waiver on knocked down electric vehicles

The Government of Ghana has proposed to extend VAT zero rating of locally assembled vehicles to 31 December 2025. Also, import duty on semi-knocked down and completely knocked down electric vehicles imported by registered electric vehicle assembling companies in Ghana will be waived for eight years.

Deloitte's view

- The proposals reflect Government's continued investment towards the strategic Ghana Automotive Development Policy (GADP) objective of making the country a competitive industrial hub for automotive manufacturing.
- VAT on locally assembled vehicles is currently zero percent and is due to expire on 31 December 2023. The proposed extension means locally assembled vehicles can be expected to continue to be zero rated for VAT purposes until 31 December 2025.
- The proposed eight-year import duty waiver on semi-knocked down and completely knocked down electric vehicles also provides a long-term incentive for investment in the local assembly of electric vehicles. This should foster the development of a robust electric vehicle ecosystem in the country, build local capacity in the automotive industry and promote technology transfer.
- The expected cost benefits of the zero rating and import waiver should incentivise local adoption of electric vehicles and to contribute to the reduction of greenhouse gas emissions.

VAT zero rating on locally produced sanitary pads and waiver of duties on imported raw materials for local manufacturing of sanitary pads

To boost local production and promote menstrual hygiene, the government has announced VAT zero rating of supply of locally produced sanitary pads. Also, the government intends to waive import duties on raw materials imported for local manufacturing of sanitary pads.

Deloitte's view

- This proposal is in response to recent advocacy for government support of menstrual hygiene especially among young girls. We expect zero-rated VAT on supply of locally produced sanitary pads to reduce the current price of locally manufactured sanitary pads and enhance their competitiveness relative to imported sanitary pads.
- The waiver of import duties on raw materials, complemented by the relief from import VAT provided to qualifying manufacturers, should reduce the cost of production for local manufacturers. This should reduce the need for import of finished products and ultimately boost local production capacity of sanitary pads.
- We expect the GRA to issue guidelines on the list of raw materials that will qualify for this waiver.

Exemption of import duty on agricultural machinery and inputs, medical consumables, and raw materials for the pharmaceutical industry

Government has announced proposals to exempt import duty on agricultural machinery, equipment and inputs, medical consumables and raw materials for the pharmaceutical industry.

Deloitte's view

- Agriculture plays a critical role in the development of the Ghanaian economy. This exemption aligns with the Government's aim to promote the adoption of modern technologies in agriculture to increase food security and wealth creation in the agriculture value chain.
- Similarly, the exemption of import duty on medical consumables and raw materials for the pharmaceutical industry is also expected to make the production and supply of medicines and medical devices and equipment cost effective. This is to boost local production of pharmaceutical products and attract investment into the health sector.

Introduction of 5% VAT flat rate scheme on supply of commercial properties

The Budget Statement announced a proposal to implement a 5% VAT flat rate scheme on supply of commercial properties in Ghana to replace the standard 15% VAT rate regime.

Deloitte's view

- Government initially introduced the 5% flat-rate scheme for real estate developers on commercial properties in 2015. However, this was withdrawn in 2017 to return suppliers of commercial properties to the standard VAT regime. Government has indicated its intention to reintroduce the flat rate scheme for suppliers of commercial properties. The Government notes that the new scheme is also intended to simplify VAT administration and enhance the level of compliance among the real estate industry players.
- A flat rate scheme usually means a restriction of input VAT deductions which is normally allowed in the standard rated scheme. The implementation of this policy may therefore result in the denial of input VAT deduction by suppliers of commercial properties. This could imply that any VAT cost incurred in the construction of these properties would become business cost which may be absorbed or passed on to the final purchasers. The impact of this would be a potential increase in the cost and pricing of commercial properties going forward.

Exemption of import duty on cars imported by members of the Ghana Medical Association (GMA)

Government has proposed to exempt from import duties, cars imported by members of the GMA.

Deloitte's view

- The introduction of this exemption regime for members of the GMA is expected to help ease the transportation burden of members of the GMA and ensure they provide timely healthcare services.
- This policy aligns with the government's efforts to incentivise and support workers in the healthcare sector. However, implementation of the policy should be well structured to ensure that there are no abuses. We expect the government to issue guidelines on the implementation of this policy.

Expansion of environmental excise duty to cover plastic packaging, industrial, and vehicle emissions

To promote sustainable environmental practices, the Minister of Finance has noted government's intention to expand the environmental excise duty to cover plastic packaging, industrial, and vehicle emissions.

Deloitte's view

- The environmental excise duty of 10% originally covered plastics and plastic products to discourage the import and use of single-used plastics that are harmful to the environment. With the increasing concerns on environmental degradation, expansion of the environmental excise duty to cover plastic packaging and carbon emissions should encourage the use of environmentally friendly practices and products.
- This policy, together with the hinted waiver on import duties on electric vehicles for public transport, is in line with the Medium-Term Revenue Strategy (MTRS) to develop climate-friendly and environmentally sustainable policies to promote the adoption of renewable energy sources, tackle harmful activities, and reduce greenhouse gas emissions. Further guidelines would be needed especially with respect to how the excise duty would apply to vehicle emissions.

Implementation of phase two of electronic invoicing

The second phase of the electronic invoicing system implementation has been announced to cover about 600 large taxpayers and over 200 small and medium taxpayers.

Deloitte's view

- Phase one of the electronic invoicing rollout covered several selected large taxpayers. This phase has been largely successful as it has led to significant increment in tax collections. The government now seeks to expand the coverage of the electronic invoicing requirement to about 600 additional large taxpayers and 200 small and medium taxpayers.
- The electronic invoicing initiative provides the GRA real-time oversight over the sales data of taxpayers which enhances revenue assurance. For taxpayers, it should simplify VAT compliance and record keeping of taxable supplies.

Business Income

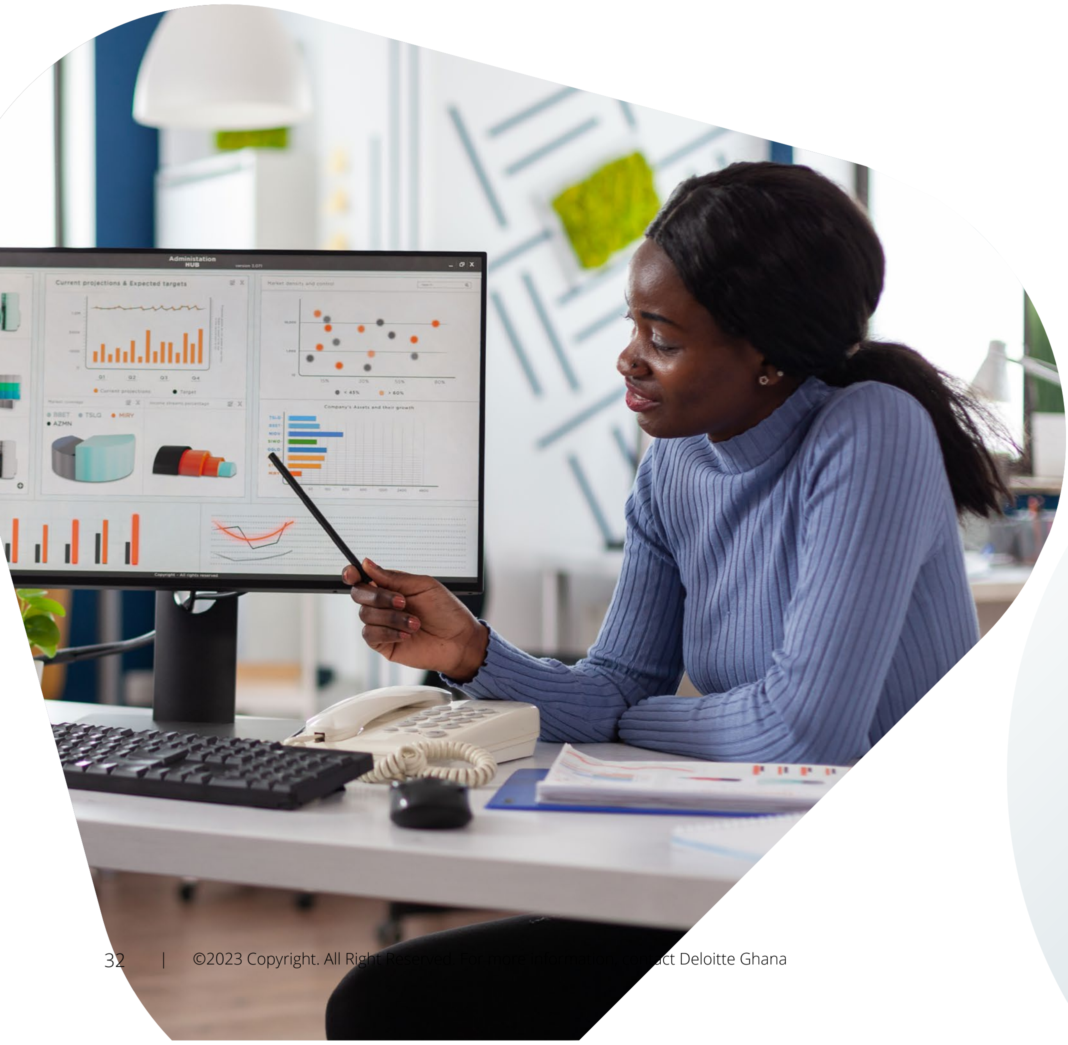
Use of Commissioner-General's certified invoice for expense deduction

As part of efforts to ensure that entities comply with VAT registration and invoicing requirements, the government has proposed making the Commissioner-General's certified VAT invoice as a basis for deducting expenses for income tax purposes.

Deloitte's view

- Expenses incurred in generation of income are generally allowed for deduction for income tax purposes once they are wholly, exclusively and necessarily incurred. The proposal to include the Commissioner-General's certified VAT invoice as a basis for expense deductibility will mean businesses have to support their expenses with a certified VAT invoice before they can be deducted for income tax purposes.
  To make this proposal effective, we expect parliament to pass an amendment to the Income Tax Act, 2015 (Act 896) to include the Commissioner-General's certified VAT invoice as a general requirement for expense deductibility.

- While this is expected to improve VAT compliance and collection, consideration should be given to purchases from suppliers below the threshold for VAT registration and foreign vendors who are not required to issue Commissioner-General's certified VAT invoice.



Personal income tax

Review of the individual income tax bands to reflect the new minimum wage

The Minister for Finance has announced government's intention to review and adjust the tax-free band of the graduated income tax rates for resident individuals to reflect the new national daily minimum wage.

Deloitte's view

- The individual income tax band progressively taxes income of resident individuals from a rate of 0% to the maximum rate of 35%. The tax-free bracket is pegged to the national daily minimum wage.
- Following the agreement between the government and the Tripartite Committee to revise the national daily minimum wage to GHS18.15 from GHS14.88, the proposed adjustment is expected to increase the tax-free income band to ensure minimum wage remains tax-free.

Introduction of a simplified return for individuals under the modified taxation regime

Government intends to introduce a simplified tax return to promote voluntary compliance among certain individuals in business.

Deloitte's view

The modified taxation regime applies to individuals in business with annual turnover not exceeding GHS500,000. This regime seeks to take away the complexities in the tax system for individuals in businesses and simplify tax compliance. The introduction of the simplified return is to enable individuals undertaking small and micro businesses to prepare and file tax returns in a less complex format as compared to the standard tax return.

Regulatory updates

Amendments to the GIPC Act to introduce various reforms to attract foreign investment

In order for Ghana to become more competitive and to align with international best practices, government has proposed to make ammendments to GIPC Act.

Deloitte's view

The Government's intent on making Ghana a destination for foreign direct investment requires amendments to the investment promotion regime. We expect the Bill to address some of the identified challenges with the current regime and contribute to making the country an attractive destination for foreign investment.

Enactment of the Business Regulatory Reform Bill

To create an enabling and competitive business environment, the minister of finance has proposed the enactment of a Business Regulatory Reform Bill to enhance the quality and transparency of regulatory administration and standardise the activities of regulatory agencies.

Deloitte's view

The Business Regulatory Reform Program is a key intervention of government with an aim of developing and implementing policies to make Ghana a competitive business economy. The objective is to create a sound regulatory framework for private sector growth and development.

Review of the stamp duty rates and fees

Government has proposed to increase the scope of instruments subject to stamp duty on ad valorem basis and revise the charges for specific instruments to reflect the current economic conditions.

Deloitte's view

- The Stamp Duty Act, 2005 (Act 689) introduced stamp duty on identified instruments through two means; ad valorem which calculates the duty based on the value of the instrument and specific rate which charges a fixed amount on applicable instruments.

- Since coming into force in 2005, Act 689 has never been reviewed. As such, this proposal seeks to realign the specific rates with current economic realities while including more instruments under the ad valorem charges to ensure the duty reflects value of transactions administered.

- Duty for instruments that will continue to attract the specific fixed rate will be revised upwards to accommodate current trends. The proposal is also in line with the MTRS to improve non-tax revenue mobilization.
  Although this is an avenue for government to increase revenue mobilization, review of the charges should be implemented in a way that it will not disincentivise investment and compliance.

Enforcement of textile stamp at the entry points and at the point of sale

The Minister of Finance has announced that enforcement of textile stamp regime will begin at both entry points and points of sale.

Deloitte's view

In 2020, the Ghana Export Promotion Authority (GEPA) introduced the Shield Portal, a digital platform designed to facilitate the acquisition of necessary permits and stamps for textile manufacturers and exporters in Ghana. Additionally, the GRA has developed guidelines on textile stamp excise tax enforcement, set to commence in 2024 at both entry points and points of sale. These measures will help protect the local textile industry, protect consumer rights, and provide the necessary tax revenue assurance.

Contacts

Daniel Kwadwo Owusu
Country Managing Partner
Deloitte Ghana
dowusu@deloitte.com.gh
+233 501 323 230

Abena Biney
Partner, Audit
Deloitte Ghana
abiney@deloitte.com.gh
+233 501 320 903

Kofi Awuah
Partner, Risk Advisory
Deloitte Ghana
kawuah@deloitte.com.gh
+233 501 648 111

Gloria Boye-Doku
Partner, Tax & Regulatory
Deloitte Ghana
gboyedoku@deloitte.com.gh
+233 501 323 230

Kwabena Situ
Partner, Assurance
Deloitte Ghana
ksitu@deloitte.com.gh
+233 501 320 905

Gideon Ayi-Owoo
Partner, Tax & Regulatory
Deloitte Ghana
gayi-owoo@deloitte.com.gh
+233 509 810 823

George Ankomah
Partner, Tax & Regulatory
Deloitte Ghana
gankomah@deloitte.com.gh
+233 501 320 895

Charlotte Forson-Abbey
Partner, Audit
Deloitte Ghana
cforson@deloitte.com.gh
+233 501 320 902

Emmanuel Martey
Partner, Audit
Deloitte Ghana
emartey@deloitte.com.gh
+233 501 320 897

Yaw Appiah Lartey
Partner, Financial Advisory
Deloitte Ghana
ylartey@deloitte.com.gh
+233 501 320 899

Roland Teye
Partner, Consulting
Deloitte Ghana
rteye@deloitte.com.gh
+233 509 576 056

Serwa Atiase Dzogbenuku
Partner, Consulting
Deloitte Ghana
satiasedzogbenuku@deloitte.com.gh
+233 208 110 302

Contributors

- Wisdom Kpano
- Dennis Brown
- Roy Godwinson
- John Kusi
- Francis Asalu
- Emmanuel Ankomah
- Benjamin Ashirifie
- Kow Bedu-Addo
- George Anang
- Selasi Ahadzie

Deloitte.

www2.deloitte.com/gh Deloitte Ghana Deloitte