

INSTITUTE FOR LIBERTY & POLICY INNOVATION (ILAPI)

MID-YEAR BUDGET IN TWO PAGES

Government policy intervention and investment/expenditure so far

- GH¢3.2 billion for Free SHS
- GH¢1.6 billion in “100,000 jobless” for NABCO initiative
- GH¢1.85 billion in Agriculture (PFJ)
- GH¢4.7 billion on capacity payments for power production
- GHC1, 310.92 million for school feeding programme
- GHC464.38 million for LEAP-NHIS services for the vulnerable
- GH¢ 994.23 million for Teacher and Nursing Trainees.
- GH¢ 210.03 million for 1D1F support.
- GH¢99.30 million for MASLOC
- GH¢88.31 million for National Entrepreneurship and Innovation Plan (NEIP)
- GH¢ 904 million in the provision of sanitation facilities and potable water,
- GH¢ 87.38 million to the Zongo Development Fund (ZDF)
- GH560 million for COVID-19

Announcement

The President will launch a GH¢100 billion development programme. An ambitious and unprecedented three and half years programme called: Ghana CARES, “Obaatan Pa” which will anchor the comprehensive transformation of our society.

Performance for 2019 and Developments for the first half year of 2020

GDP Growth and Inflation

Overall real GDP growth for 2019 was 6.5% and the overall real GDP growth rate of 6.8% in the first

half of 2020. The Non-oil real GDP growth in 2019 was 5.8% and Non-Oil Real GDP growth rate of 6.7% in the first half of 2020.

Inflation was 7.9% at end-December 2019 and 8.0% in the first half of 2020.

Monetary Aggregates and Credit

Money supply (M2+) recorded an annual growth of 21.7% in December 2019 and Credit to the private sector grew by 9.7 % compared to 1.1% in 2018. In the first 5 months of 2020, growth in money supply (M2+) has slowed down, increasing by 6.0 %, compared with a 7.0% in the same period in 2019. Credit advanced by banks to public and private institutions also decreased for the first five months of the year, as demand and supply for loans have dropped due mainly to the uncertainties created by the COVID-19 pandemic.

Interest Rate and Balance of Payment

Lending rate is 23.6% in December 2019 and the average lending rate also decreased to 21.95% from 23.59% in the first quarter of 2020. The overall Balance of Payments (BOP) surplus in 2019 is US\$1.34 billion. The current account recorded a surplus of US\$199.88 million (0.3% of GDP) in the first quarter of 2020,

Exchange Rate

The Ghana cedi cumulatively depreciated by 12.9 % against the US dollar in 2019 and cedi depreciated by 2.4% against the dollar in the first quarter of 2020.

Revenue and Expenditure

Total Revenue and Grants for the period amounted to GH¢53,380 million, equivalent to 15.3% of GDP, against the annual programme target of GH¢58,897 million or 17 % of GDP. Total Expenditure (including arrears clearance) for the period was

broadly contained within the budget and amounted to GH¢70,271 million or 20.1% of GDP. Total Revenue and Grants for January to June 2020 amounted to GH¢22,007 million compared with a programmed target of GH¢29,759.1 million resulting in a shortfall of 26.0% or a performance rate of 74%. Total Expenditures (including arrears clearance) for the period amounted to GH¢46,352 million or 12.0% of GDP compared with the programme target of GH¢41,554 million or 10.8% of GDP.

Debt Stock

In four months, the government was able to raise over GH¢20 billion to protect the vulnerable and businesses. However, the provisional debt stock as at end of June, 2020 stood at GH¢255,727.1 million (US\$45,486.1 million), representing 66.36% of GDP. The increase was mainly as a result of a Eurobond issuance of US\$3.0 billion in February 2020, exchange rate depreciation.

Banking/Financial Sector Clean Up

The total clean up the Bank/Financial economy is costing the state in excess of **GH¢21 billion** of taxpayers' funds. The fiscal deficit of GDP is 11.4%. ***This is above the 5% limit as stated in the Fiscal Responsibility Act, 2018 (Act 982) and due to that fiscal rule has been suspended but replaced with Financial Regulation Act.***

COVID-19 Impact

19 out of the 28 State-owned Enterprises (SOEs) are projecting losses up to GH¢1.55 billion for 2020. The operations of Metro-Mass Transport experienced a decline in monthly revenue from GH¢5.5 million to GH¢2.1 million. The Intercity STC Company witnessed decline in bus services and luggage revenue from average of GH¢5.0 million in previous months to average of GH¢3.0 million since March 2020. The Driver and Vehicle Licensing Authority also experienced losses as revenue fell drastically from GH¢3.5 million to

about GH¢1 million between March and April 2020.

Taxation

Communication Service Tax (CST) has been reduced from 9% to 5% for 6 months.

Forecast for 2020

The projected real GDP growth for 2020 has been revised considerably downwards from 6.8% to 0.9%. Updated fiscal estimates indicate that revenues are expected to fall short of the 2020 Budget target by GH¢13,632 million (3.5% of revised GDP) arising from shortfalls in Petroleum Receipts of GH¢5,257 million; Non-Oil Tax revenue GH¢5,089 million; and Non-Tax Revenues of GH¢3,286 million.

Expenditures are expected to increase by GH¢11,660 million (3.4% of revised GDP), reflecting mainly expenditures on COVID-19; Preparedness & Response Plan, provision of Health Infrastructure (Agenda 88+), Coronavirus Alleviation Programme, Capitalisation of National Development Bank, Security, Elections, and payment of outstanding claims.

Requested Amount

The government is requesting a supplementary Budget of **GH¢11,896,477,566.00** to enable us continue this extraordinary task.

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