



# **Ghana 2021**

## **National Budget Analysis**

# About BudgIT

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## ABBREVIATIONS/ACRONYMS

<b>NHF</b>	National Health Fund
<b>ETF</b>	Education Trust Fund
<b>FY</b>	Fiscal/Financial Year
<b>mn</b>	Millions
<b>bn</b>	Billions
<b>GH¢</b>	Ghana Cedis
<b>MDA</b>	Ministries, Developments, and Agencies
<b>PHF</b>	Petroleum Holding Fund
<b>NHIL</b>	National Health Insurance Levy
<b>SSNIT</b>	Social Security and National Insurance Trust
<b>GETFund</b>	Ghana Education Trust Fund
<b>ESLA</b>	Energy Sector Levy Act

**Note :** All figures are in Ghana Cedis (GH¢)



# INTRODUCTION

**T**he 2021-budget themed “Economic Revitalisation through Completion, Consolidation & Continuity” reflects the government's plans to cushion the impact of the COVID-19 on citizens and small businesses to accelerate economic development in the country. Although there are other initiatives to alleviate the effects of COVID-19 on the economy, such as the Obaatanpa program and the National Trust Fund, the 2021 budget provides the government's strategy to strengthen the economy and manage the growing debt stock. This directly reflects in the increased expenditure for the year.

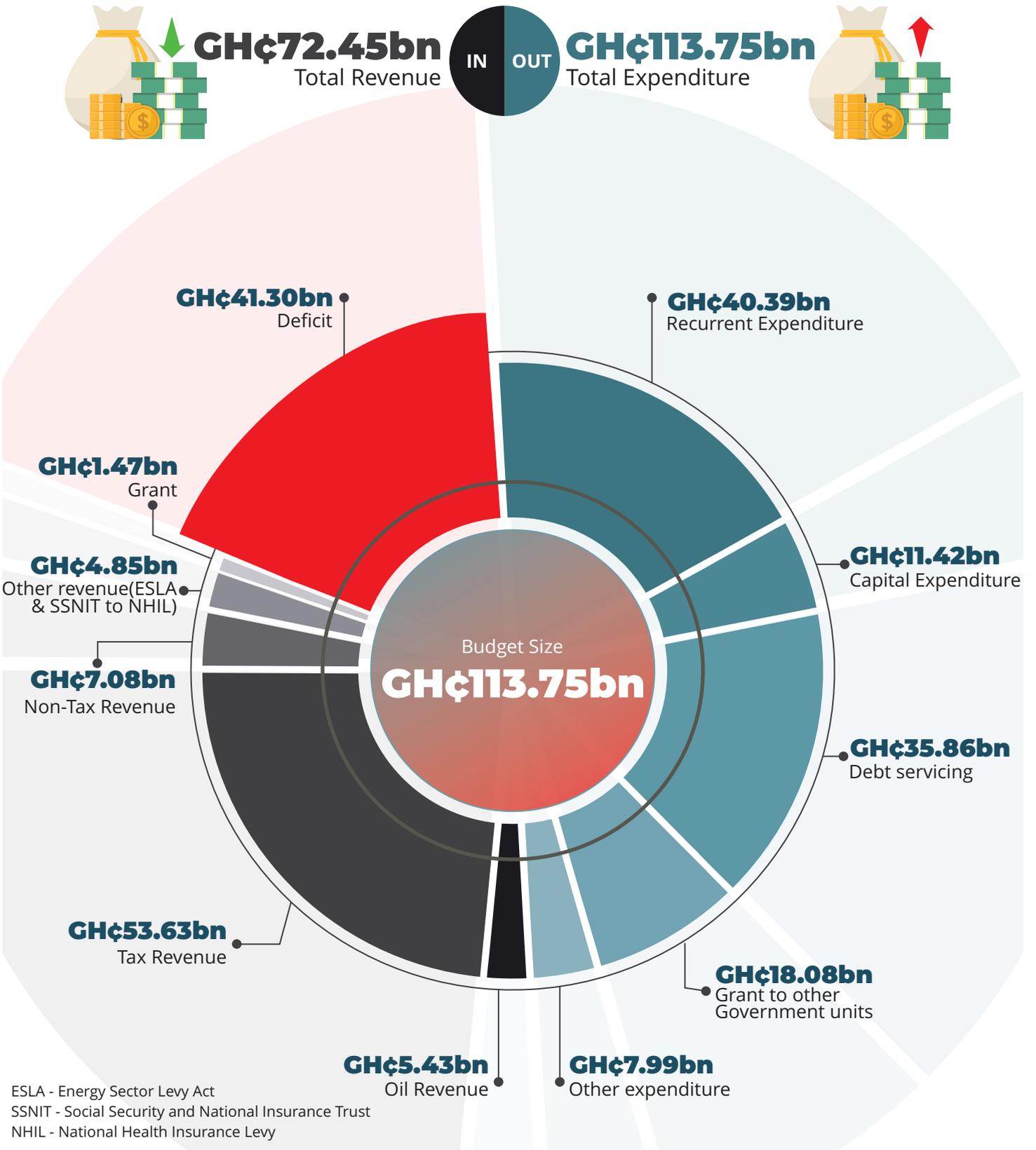
In the 2021 budget, the estimated expenditure is set at 113.7 billion cedis (\$19.9 billion), which is a 13.7% increment compared to the previous budget of 84.5 billion cedis. The budget puts

estimated revenue and grants at 72.45 billion cedis (\$12.69), which increases 31% from the 2020 budget. While there is a substantial growth in the estimated revenue, the budget still has a deficit of 41.30 billion cedis (\$7.25bn).

While the 2021 budget is designed to boost the economy and alleviate the hardship caused by the COVID-19 pandemic, the government must address challenges that could impede its revenue generation and weaken its debt sustainability. To sustain the budget, the Government of Ghana must develop strategic action plans to increase revenue generation, ensure transparency and accountability in governance to ensure judicious use of public funds, and implement austere measures to plug leakages and reduce its recurrent expenditures.

*Theme: Economic Revitalisation through Completion, Consolidation & Continuity*

# FISCAL FRAMEWORK



## WHERE WILL THE RESOURCES COME FROM?

### TAX REVENUE



Tax revenue for FY2021 is projected to be **GH¢53.63bn**, including a tax refund (**GH¢3.42bn**), and it will contribute the most significant share of **74%** to the overall revenue of **GH¢72.45bn**.

### Components of Tax Revenue

#### TAXES ON INCOME & PROPERTY

Taxes from income and property is projected at **GH¢27.73bn**, and it makes up a significant share of 48.6% of the tax revenue. The highest inflow to this projected revenue will come from Companies' Income Tax (CIT).



## GH¢27.73bn

TAXES ON INCOME & PROPERTY

## GH¢14.73bn

Companies Taxes

## GH¢13.0bn

Others Direct Taxes

### Breakdown of other Direct Taxes

Personal income taxes	<b>GH¢9.11bn</b>
Self Employed	<b>GH¢627mn</b>
National fiscal stabilisation levy	<b>GH¢728mn</b>
Financial sector clean-up levy	<b>GH¢219mn</b>
Airport Tax	<b>GH¢199mn</b>
Other direct taxes excluding oil royalties (GH¢1.23bn)	<b>GH¢2.11bn</b>

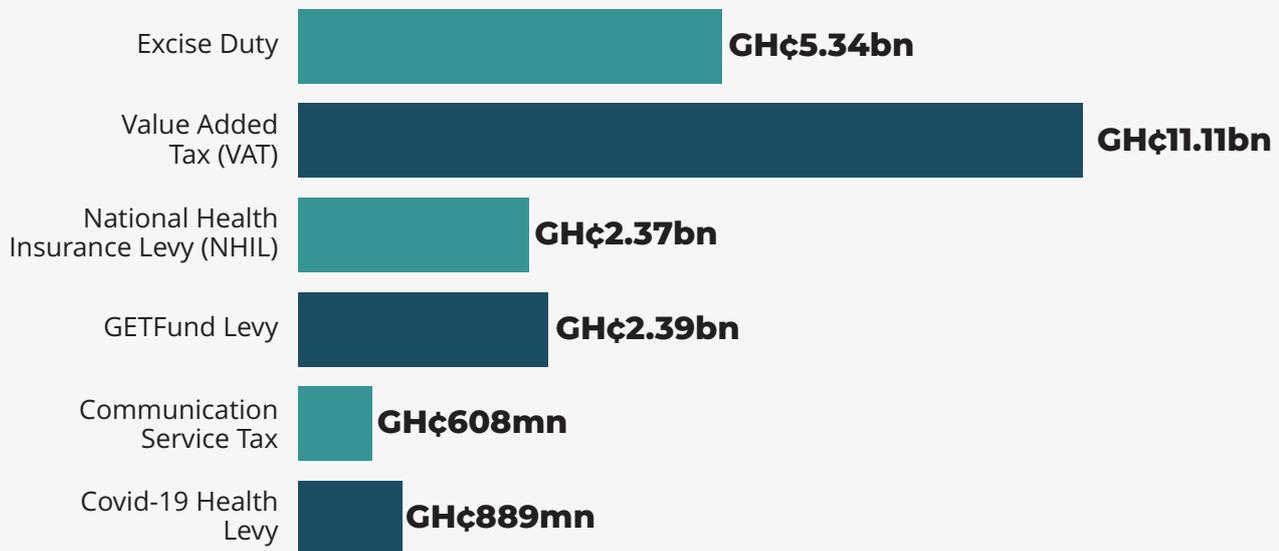
### TAXES ON DOMESTIC GOODS AND SERVICES

Tax revenue from domestic goods and services stands at **GH¢22.71bn** and will contribute **39.9%** to the tax revenue in FY2021. The most significant inflow to this revenue will come from Value Added Tax(VAT).



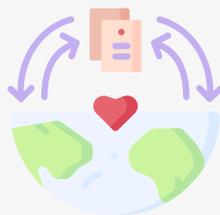
**GH¢22.7bn**

TAXES ON DOMESTIC GOODS AND SERVICES



### TAXES ON INTERNATIONAL TRADE

Taxes on international trade of **GH¢6.61bn** will contribute **11.6%** to the tax revenue (**GH¢53.68**) for FY2021.



**GH¢6.61bn**

Taxes on international trade(Import Duties)

## NON-TAX REVENUE



Revenue from non-tax is estimated to be **GH¢7.08bn** and will contribute **9.8%** to this year's revenue **GH¢72.45bn**.

**GH¢5.89bn**  
Retention

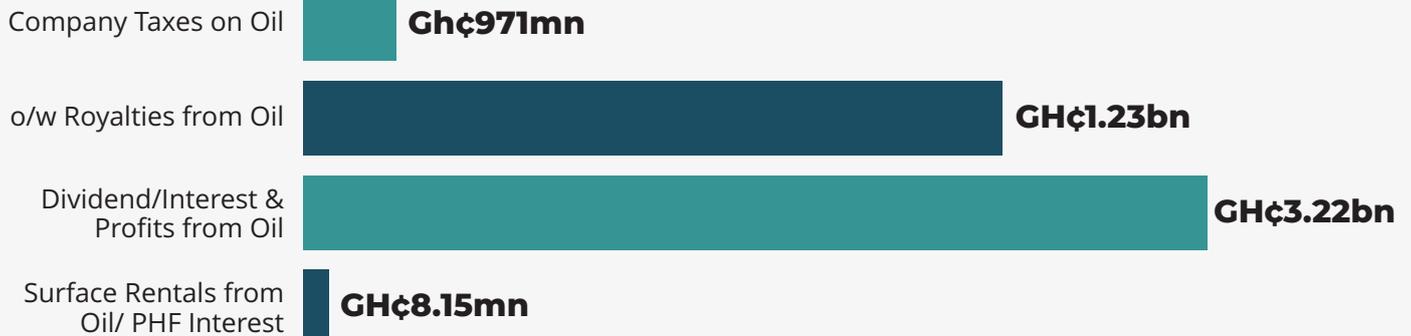
**GH¢1.18bn**  
Lodgement

Includes fees & charges, Yield from capping policy and any other dividend.

## OIL REVENUE



Oil revenue is estimated at **GH¢5.43bn**. It will contribute **7.5%** to the total revenue this year. The largest contributor to this revenue is from dividend and profit from oil.



## OTHER REVENUE



Other revenue is estimated to be **GH¢4.85** which will make up **6.7%** of this year's revenue.

**GH¢3.23bn**

ESLA Proceeds

Includes recovery levy from energy debt, National electrification scheme, Public lighting, and price stabilization.

**GH¢666mn**

Delta Fund

**GH¢645mn**

SSNIT Contribution to NHIL

**GH¢312mn**

Pollution and Sanitation Levy

## GRANT SUPPORT

**2%**

Estimated grant support will make up **2%** of the year's revenue.



**GH¢1.47bn**

Grants

# WHERE WILL THE RESOURCES GO TO?

## EXPENDITURE

Total expenditure is categorized into recurrent, capital and other expenditure, debt service and grants to other government units.

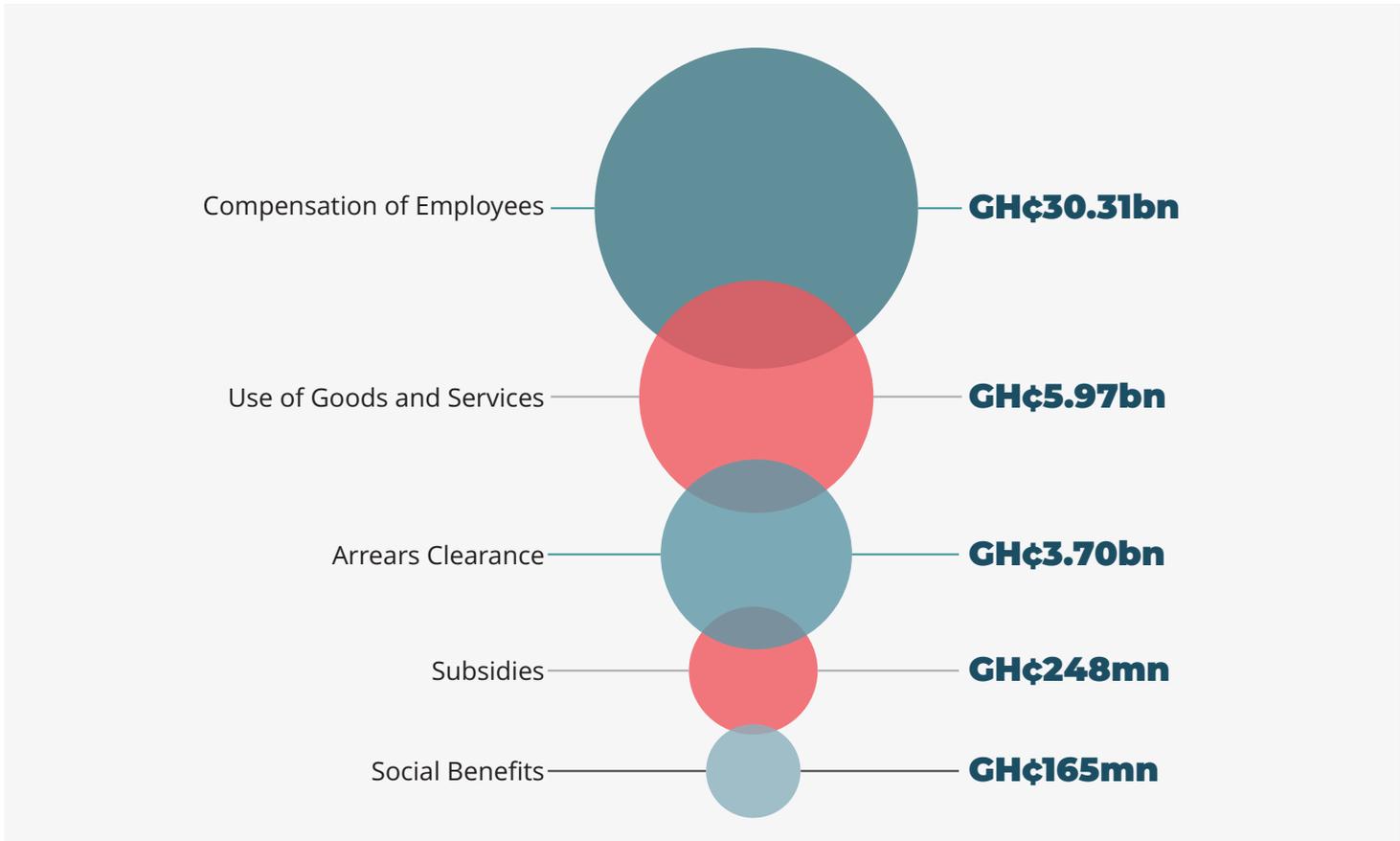


Total estimated expenditure includes Arrears clearance amounted to **GH¢113.7bn** (25.4% OF GDP). This is an increase of **14%** from outturn expenditure (**GH¢100.05bn**) for 2021.

### Components of Expenditure

#### RECURRENT EXPENDITURE:

This is the sum of money the government spends on products and services. **26.6%** of the total expenditure is budgeted to finance compensation for employees.



## Capital Expenditure

This year's capital budget is **23%** increased from the FY2020 budgeted amount of **GH¢9.26bn**. **10%** of the total expenditure will be used to finance capital projects.



# GH¢11.42bn

Capital Expenditure

## GH¢3.31bn

Domestic Financed

## GH¢8.11bn

External Financed

71% of the budgeted capital expenditure fund will come from external finance.

## DEBT SERVICE

Debt Service is the fund that is required to cover the repayment of interest and principal on a debt for a particular period. Government plans to service loan interest with **31.5%** of this year's estimated expenditure which is **65%** increased from **GH¢21.69bn** in FY2020.



# GH¢35.86bn

Interest Payment

## GH¢28.37bn

Domestic

## GH¢7.50bn

External

## GRANTS TO OTHER GOVERNMENT UNITS

Grants to Other Government Units : 15.9% of the budgeted expenditure fund will be used to finance trust funds in other government units such as NHF, ETF, petroleum and infrastructural-related funds, etc.



## OTHER EXPENDITURE

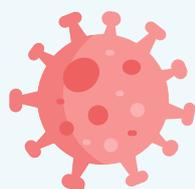
Other expenditure of **GH¢7.99bn** will take **7%** of the fund to cover the total spending for FY2021. It comprises Covid-19 expenditure, Energy Sector Levy Agency (ESLA) Transfer and other critical spending.

**GH¢4.51bn**  
Covid-19 Related Expenditures

**GH¢2.98bn**  
ESLA Transfers

**Gh¢50.0mn**  
Other critical spending

## BREAKDOWN OF COVID-19 RELATED EXPENSES



The sum of **GH¢4.5bn** is allocated for financing covid-19 related expenses; this will take approximately **4%** of the 2021 total expenditure.

COVID-19 Alleviation Programme (water and electricity)	}	<b>Gh¢200mn</b>
Provision of health infrastructure	}	<b>GH¢1.5bn</b>
National COVID-19 response	}	<b>GH¢597.6mn</b>
Seed fund for capitalization of Development Bank	}	<b>Gh¢306mn</b>
Economic revitalisation payment	}	<b>GH¢1bn</b>
COVID-19 vaccines (operational and procurement)	}	<b>Gh¢929mn</b>

## SECTORAL ALLOCATION



Total sectoral budget of

# GH¢48.05bn

increased by **8%** from GH¢44.7bn in 2020.



### Social Sector

Recurrent ▶ **GH¢22.27bn**

Capital Expenditure ▶ **GH¢2.58bn**

Total Allocation **GH¢24.85bn**



### Public Safety Sector

Recurrent ▶ **GH¢6.21bn**

Capital Expenditure ▶ **GH¢897mn**

Total Allocation **GH¢7.10bn**



### Economic Sector

Recurrent ▶ **GH¢2.13bn**

Capital Expenditure ▶ **GH¢2.22bn**

Total Allocation **GH¢4.35bn**



### Infrastructure Sector

Recurrent ▶ **GH¢452mn**

Capital Expenditure ▶ **GH¢3.77bn**

Total Allocation **GH¢4.23bn**



### Administration sector

Recurrent ▶ **GH¢5.77bn**

Capital Expenditure ▶ **GH¢1.77bn**

Total Allocation **GH¢7.54bn**

## BIGGEST SPENDING MINISTRIES PER SECTORAL ALLOCATION

<b>Public Safety Sector</b>	<b>GH¢7.10bn</b>
Ministry of the Interior	<b>GH¢3.41bn</b>
Ministry of Defence	<b>GH¢2.10bn</b>
Ministry of National Security	<b>GH¢873mn</b>
<b>Administration Sector</b>	<b>GH¢7.54bn</b>
Office of Government Machinery	<b>GH¢2.68bn</b>
Ministry of Local Government, Decentralisation and Rural Development	<b>GH¢1.60bn</b>
Ministry of Finance	<b>GH¢1.43bn</b>
<b>Economic Sector</b>	<b>GH¢4.35bn</b>
Ministry of Food and Agriculture	<b>GH¢1.18bn</b>
Ministry of Energy	<b>GH¢854mn</b>
Ministry of Lands and Natural Resources	<b>GH¢847mn</b>
<b>Infrastructure Sector</b>	<b>GH¢4.23bn</b>
Ministry of Roads and Highways	<b>GH¢1.97bn</b>
Ministry of Water Resources and Sanitation	<b>GH¢561mn</b>
Ministry of Works and Housing	<b>GH¢175mn</b>
<b>Social Sector</b>	<b>GH¢24.85bn</b>
Ministry of Education	<b>GH¢15.63bn</b>
Ministry of Health	<b>GH¢8.53bn</b>
Ministry of Gender, Children and Social Protection	<b>GH¢330mn</b>

## COST OF GOVERNMENT FLAGSHIP PROGRAMMES.

The Government of Ghana plans to spend **GH¢6.98bn** to finance its flagship programs. Free senior high school programs, Roads infrastructure, Special Intervention Initiatives, National builder corps, and School feeding programs are the top five(5) in the program list. Below are the flagship programs.

COST OF GOVERNMENT FLAGSHIP PROGRAMMES	AMOUNT
Free Senior High School Programme	<b>GH¢1.97bn</b>
Roads Infrastructure	<b>GH¢953mn</b>
Special Development Initiatives	<b>GH¢852mn</b>
Nation Builders Corps	<b>GH¢672mn</b>
School Feeding Programme	<b>GH¢489mn</b>
Planting for Food and Jobs	<b>GH¢432mn</b>
Regional Reorganisation and Development	<b>GH¢252mn</b>
Nursing Trainee Allowances	<b>GH¢231mn</b>
National Identification Authority	<b>GH¢200mn</b>
Livelihood Empowerment Against Poverty	<b>GH¢198mn</b>
Teacher Trainee Allowances	<b>GH¢170mn</b>
One District One Factory Programme	<b>GH¢164mn</b>
Railways Development	<b>GH¢136mn</b>
Water and Sanitation	<b>GH¢90mn</b>
Zongo Development Fund	<b>GH¢83mn</b>
Microfinance and Small Loans Centre (MASLOC)	<b>GH¢48m</b>
Fish Landing Sites	<b>GH¢29mn</b>
Government Communication	<b>GH¢4mn</b>

## HOW WILL THE GOVERNMENT FUND THE DEFICIT?

### BUDGET FINANCING

This is a shortfall in revenue; it means the government does not have enough money to cover its expenses. Total foreign borrowing stands at **GH¢31.16bn** and domestic stands at **GH¢41.85bn** bringing the overall financing before any deduction to **GH¢73.01bn**. A net of **GH¢15.28bn**, **GH¢332mn**, and **GH¢16.09bn** will be deducted for amortization due, Ghana petroleum and sinking funds, respectively. This brings the financing balance to **GH¢41.30bn** (-9.5% of GDP) to argue the budget deficit.

